



A multibrand company



HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2020



DIRECTORS' REPORT ON OPERATIONS
AT 30 JUNE 2020

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This report is available online at www.newlat.it

Newlat Food S.p.A.

Registered Office at 16, Via J.F. Kennedy

Paid-up share capital: Euro 43,935,050.00

Tax and VAT code 00183410653 / no. 277595 on the Economic and Administrative Index (REA) of Reggio Emilia

Company subject to management and coordination by Newlat Group S.A. pursuant to articles 2497 et seq. of the Italian Civil Code.

Having analysed performance during the first half of 2020, Angelo Mastrolia, Chairman of Newlat Food S.p.A., wishes first of all to express sincere thanks to employees and partners who, in these months of extreme difficulty brought on by the COVID-19 pandemic, have demonstrated a strong sense of social responsibility, and especially to those who, on the front line in the Group's production plants, have ensured that our products remain available to communities in Italy and abroad.

Analysis of H1 performance cannot ignore how the current pandemic has impacted the lives of people around the world. Against such a background, the Company has again proved itself supremely adept at crisis management, making sure that supply levels are continually high in terms of quality and quantity. The Chairman therefore feels it is essential to highlight the hard work and sacrifices of Group personnel who have made it possible to achieve these objectives.

On 1 April 2020, the ongoing quest for external growth resulted in the acquisition of Centrale del Latte d'Italia S.p.A. Group, a company active in the production and marketing of about 120 products ranging from milk and its derivatives to yoghurts and plant-based beverages that are distributed under the trademarks TappoRosso, Mukki, Tigullio and Vicenza in the reference territories at over 16,000 points of sale, both mass-market retailers and traditional traders. Its shares are listed on the STAR segment of the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. The operation aims to consolidate the Italian dairy market by merging Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A., companies which complement each other well in terms of geographical positioning and offer considerable potential for synergies.

The business plan envisages that Centrale del Latte d'Italia S.p.A. will become the reference platform for the entire dairy world, leveraging, among other things, the high-quality regional production chains of Tuscany and Piedmont and the managerial continuity represented by all managers and partners involved in the process.

The acquisition of the majority stake in Centrale del Latte d'Italia S.p.A. falls perfectly within the plans and timings envisaged by the external growth and capital utilisation strategies announced during the IPO phase, thus allowing the Newlat Group to reach the turnover threshold of Euro 500 million. Thanks to the business combination of Newlat Food S.p.A. and Centrale del Latte d'Italia S.p.A., the Group is now the third-largest Italian operator in the Milk & Dairy sector and boasts a full and competitive production capacity.

One of the fundamental points of the acquisition is the complementarity of brands and territories, as well as their respective high-quality production chains (Tuscany, for example, is the jewel in the crown for organic products), thus offering Italian consumers a range of unique products with historic and locally significant brands.

Against this background, the Group delivered solid revenue growth of 5.5% compared with the same period of the previous year, with the contribution from Delverde Alimentari S.p.A. (which was merged into Newlat Food S.p.A. in December 2019) helping revenues to climb by as much as 13% in the Pasta sector. Net of said contribution, the Group's organic growth was 3.4% overall and 4.6% in the Pasta sector.

Also of note was the double-digit organic revenue growth in the Bakery (+12.5%) and Special Products (+12.6%) sectors, thanks mainly to Mass Distribution, where we delivered record growth of 9.4%.

The other business units also enjoyed organic growth above company forecasts and significantly better than the market as a whole.

These figures augur well for the end of the financial year and provide a solid basis to develop the guidelines of the business plan and to embark on external growth.

Growth figures by geographical area are also reassuring: +11% in the German market and +3.6% in Italy, while in other countries there was significant growth of 8.9%.

Lastly, at constant structure, financial data point to a business that is able to continually generate cash: EBITDA up by 64.8%, the net financial position improving by Euro 17.6 million and a cash conversion rate of 84.9%.

Against this background, Centrale del Latte d'Italia Group produced performances over and above forecasts, in terms of both improving margins and converting profit into cash. The change in profitability is particularly worth highlighting: albeit in an environment where organic revenue growth returned to normal levels (+8% in Q1; +3.5% in Q2), the second quarter of Centrale del Latte d'Italia Group contributed to a further enhancement in the EBITDA margin, with the half-yearly figure up by 327% to Euro 9.4 million thanks to a combination of three factors amid a general climate of sales volume growth: (i) strengthening sales policies; (ii) improving the procurement process; (iii) renegotiating some key raw and packaging material purchasing agreements. Implementing the aforementioned actions quickly will enable the envisaged synergies with Newlat to materialise several months early. The second half of 2020 will also benefit from the effects of the merger of Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. into Centrale del Latte d'Italia S.p.A., which was successfully completed on 20 July 2020.

BOARDS AND OFFICERS

Board of Directors

| Name and surname | Position |
|-----------------------------|--|
| Angelo Mastrolia | Executive Chairman of the Board of Directors and Director (**) |
| Giuseppe Mastrolia | Chief Executive Officer and Director (**) |
| Stefano Cometto | Chief Executive Officer and Director (**) |
| Benedetta Mastrolia | Director (***) |
| Emanuela Paola Banfi | Director (*) |
| Valentina Montanari | Director (*) |
| Eric Sandrin | Director (*) Lead Independent Director |

(*) Independent director, pursuant to article 148 of the Consolidated Law on Finance (TUF) and article 3 of the Corporate Governance Code, who took office on the date that Newlat Food's shares started trading on the MTA. Member of the *Control and Risks Committee*, member of the *Remuneration and Appointments Committee*, member of the *Related Party Transactions Committee*.

(**) Executive director.

(***) Non-executive director.

Board of Statutory Auditors

| Name and surname | Position |
|------------------------------|-------------------|
| Massimo Carlomagno | Chairman |
| Ester Sammartino | Standing Auditor |
| Antonio Mucci | Standing Auditor |
| Giovanni Carlozzi | Alternate Auditor |
| Giorgio de Franciscis | Alternate Auditor |

Remuneration and Appointments Committee

| Name and surname | Position |
|-------------------------|-----------------|
| Eric Sandrin | Chairman |
| Emanuela Banfi | Member |
| Valentina Montanari | Member |

Control and Risks Committee

| Name and surname | Position |
|-------------------------|-----------------|
| Valentina Montanari | Chairman |
| Emanuela Banfi | Member |
| Eric Sandrin | Member |

Related Party Transactions Committee

| Name and surname | Position |
|-------------------------|-----------------|
| Emanuela Banfi | Chairman |
| Valentina Montanari | Member |
| Eric Sandrin | Member |

Financial Reporting Manager

Rocco Sergi

Independent Auditing Firm

PricewaterhouseCoopers S.p.A.

General information

Newlat Food S.p.A. (hereinafter also “Newlat” or the “Company” and, together with its subsidiaries, the “Newlat Group” or the “Group”) is incorporated in Italy in the form of a public limited company and operates under Italian law. The Company has its registered office at 16, Via J. F. Kennedy, Reggio Emilia.

The Newlat Group is a group operating in the food sector with a large and structured product portfolio organised into the following business units: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products and Other Products.

The Company is subject to management and coordination by the parent Newlat Group S.A. (hereinafter “Newlat Group”), a company that directly owns 61.65% of the share capital, while the remaining part (38.36%) is held by institutional investors.

To better understand how the business performed during the half-year, this report on operations contains the aggregated financial information of the Newlat Group at 30 June 2020 and 30 June 2019, including, as of 1 January 2020, the amounts pertaining to Centrale del Latte d’Italia Group, which was acquired on 1 April 2020 and thus consolidated from said date in the enclosed condensed consolidated half-year report.

Preparation criteria

The Report on Operations was prepared using proforma and aggregated data in order to better represent the assets, liabilities, revenues and costs of the Newlat Group for the half-year under review in comparison with the first six months of the previous year. In particular, the inclusion was carried out by aggregating the relevant amounts to the original Newlat Group structure of reference, eliminating the statement of financial position and income statement data relating to transactions between the Newlat Group and other Group companies.

The aggregated data come from:

- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union, of Newlat Food S.p.A. for the half-years ended 30 June 2020 and 30 June 2019;
- the IFRS-compliant data of Newlat Deutschland GmbH for the half-years ended 30 June 2020 and 30 June 2019;
- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union, of Centrale del Latte d’Italia S.p.A. for the half-years ended 30 June 2020 and 30 June 2019.

The proforma data come from:

- the IFRS-compliant consolidated data of Newlat Food S.p.A. for the year ended 31 December 2019, reflecting 12 months of operations of Delverde Industrie Alimentari S.p.A., which was purchased on 9 April 2019 and thus consolidated only for the final nine months in the consolidated income statement at 31 December 2019;
- the IFRS-compliant consolidated data of Newlat Deutschland GmbH for the year ended 31 December 2019, reflecting 12 months of operations of the German subsidiary Newlat GmbH, which was purchased on 29 October 2019 and thus consolidated only for the final two months in the consolidated income statement of Newlat Food at 31 December 2019;
- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the European Union, of Centrale del Latte d’Italia S.p.A. for the year ended 31 December 2019.

The aggregated and proforma data contained in this Report on Operations has not been audited by PricewaterhouseCoopers S.p.A.

In relation to the criteria for aggregating financial information, it should be noted that the acquisition of Newlat Deutschland is an ‘under common control’ transaction and, as such, is recognised in accordance with document OPI No. 1 R (preliminary guidance on IFRS from ASSIREVI, the Italian association of auditors). In particular, this transaction was carried out for purposes other than the transfer of control, and essentially represents a simple corporate reorganisation. With this in mind, since the aforementioned transaction does not have a significant influence on the cash flows of the net assets transferred before and after acquisition, it was recognised on the basis of continuity of values. In addition, it should be noted that, since this transaction is settled by payment of a consideration in cash, the difference between the transfer value (amount of the consideration in cash) and the historical book values transferred represents a transaction with shareholders recognised as a distribution of the purchasing entity Newlat Food S.p.A.’s shareholders’ equity.

Alternative performance indicators

The following financial report presents and comments on some financial indicators and reclassified statements (relating to the statement of financial position and the statement of cash flows) not defined by IFRSs.

These amounts, defined below, are used to comment on the Group’s business performance in compliance with the provisions of the CONSOB Communication of 28 July 2006 (DEM 6064293), as subsequently amended and supplemented (CONSOB Communication no. 0092543 of 3 December 2015 implementing the ESMA/2015/1415 guidelines).

The alternative performance indicators listed below should be used as an information

supplement to IFRS requirements to help users of the financial report to better understand the Group's results, assets and liabilities and cash flows. It should be noted that these adjustment measures are calculated consistently from one year to the next. This may differ from the methods used by other companies.

Financial indicators used to measure the economic performance of the Group:

- Gross operating income (EBITDA): the operating income (OI) before depreciation, amortisation and write-downs, as well as income from business combinations;
- Net profit (NP): gross profit less taxes;
- ROS (return on sales): the ratio of operating income to net sales for the period;
- ROI (return on investment): the ratio of operating income for the period to net fixed capital assets
- Cash conversion: the ratio of EBITDA to the difference between EBITDA and total investments.

Net financial debt is given by the algebraic sum of:

- Cash and cash equivalents;
- Current financial assets;
- Current and non-current financial liabilities;
- Current and non-current lease liabilities.

Reclassified statement of cash flows:

a cash flow that represents a measure of the Company's self-financing and is calculated from the cash flow generated by operating activities, adjusted for net interest paid and cash flow absorbed by investments, less income from the realisation of fixed assets. The statement of cash flows is presented using the indirect method.

The Group presents the income statement by destination (otherwise known as "at cost of sales"), which is considered more representative than the so-called presentation by nature of expenditure, which is also partly illustrated in the notes to the Half-Year Financial Report. The form chosen is, in fact, compliant with the internal reporting and business management methods.

Corporate governance

Corporate governance is the set of rules, systems and mechanisms designed to effectively implement the organisation's decision-making processes in the interest of all Group stakeholders. The parent company Newlat Food S.p.A. complies with the Corporate Governance Code for Listed Companies, effective as per the version approved in July 2018. A traditional governance system is in place which includes three structures: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

Board of Directors

The Board of Directors is the body charged with administering the company using the powers allocated to it by law and by the Articles of Association. It is structured and operates to ensure that its functions are performed efficiently and effectively. Directors act and make decisions to create value for shareholders, and they report on operations during the Shareholders' Meeting. With regard to appointing and replacing the entire Board of Directors and/or some of its members, the Company's Articles of Association require board members to be elected on the basis of candidate lists in accordance with the methods outlined in more detail in the Report on Corporate Governance and Ownership Structure and in compliance with existing legislation on gender representation. On and with effect from 8 July 2019, the Shareholders' Meeting appointed four members to the Board of Directors, with this number increasing to seven upon the Company's shares starting to trade on the Mercato Telematico Azionario. These directors will remain in office for three years, i.e. until the date of the Shareholders' Meeting held to approve the financial statements at 31 December 2021.

Board of Directors Committees

The Board of Directors has no internal committees other than those required by the Corporate Governance Code, with the exception of the Related Party Transactions Committee, in order to comply with the provisions of the Related Parties Regulation.

The Company has not set up any committees that carry out the functions of two or more of the committees set out in the Corporate Governance Code, nor has it reserved these functions for the entire Board of Directors, under the coordination of the Chairman, or divided them differently to the way set out in the Corporate Governance Code.

The Board of Directors' internal committees, which were constituted and appointed on 9 August 2019 to take effect as of the Company's shares starting to trade on the Mercato Telematico Azionario, are described below:

- The Control and Risks Committee helps the Board of Directors to assess and make decisions regarding the Internal Control and Risk Management System, the approval of annual and half-year financial statements and relations between the Company and the independent auditor, where support is provided in the form of an adequate investigative phase. For this purpose, the Committee comprises three

members with sufficient accounting and financial experience, namely: Valentina Montanari as Chair, Emanuela Paola Banfi and Eric Sandrin, all of whom are non-executive and independent directors.

- The Remuneration and Appointments Committee plays an advisory and recommendatory role, with investigative functions, in the assessments and decisions relating to the composition of the Board of Directors and to the remuneration of directors and managers with strategic responsibilities, overseeing their application and making general recommendations on the matter. The Remuneration and Appointments Committee is composed of three members, all of whom are non-executive and independent directors. All members have suitable financial and accounting experience and knowledge. With regard to determining remuneration for board members, the Shareholders' Meeting allots a salary for the duration of the mandate which may consist of a fixed portion and a variable portion commensurate with the achievement of certain targets and/or with the Company's financial results. To be able to list on the STAR segment, exchange regulations require the Remuneration and Appointments Committee to ensure that a significant share of the pay for executive directors and senior managers be incentive-linked.

Please see the report on remuneration approved and published on 19 March 2020 in accordance with article 123-ter of the Consolidated Law on Finance (TUF) for information on the general remuneration policy and the remuneration of executive directors, managers with strategic responsibilities and non-executive directors. For this purpose, the Committee comprises three members with sufficient financial and accounting experience, namely Eric Sandrin as Chair, Emanuela Paola Banfi and Valentina Montanari.

- The Related Party Transactions Committee (hereinafter also the "RPT Committee") is responsible for ensuring the integrity of transactions with related parties by giving an opinion on the Company's interest in completing a specific transaction, as well as on the suitability and fairness of the corresponding conditions. This Committee comprises three non-executive and independent directors: Emanuela Paola Banfi as Chair, Valentina Montanari and Eric Sandrin.

Board of Statutory Auditors

Members of the Board of Auditors are selected on the basis of their ability to meet requirements of professionalism, independence and integrity in accordance with legislation and regulations. The Company's Board of Statutory Auditors, which was appointed by the Shareholders' Meeting on 8 July 2019, will remain in office for three years, i.e. until the date of the Shareholders' Meeting held to approve the financial statements at 31 December 2021.

Internal Control and Risk Management System

The Internal Control and Risk Management System (ICRMS) is the set of rules, procedures and organisational structures designed to enable the Company to conduct its business correctly and in line with set objectives, using a suitable process for identifying, measuring, managing and monitoring the main risks. The Board of Directors identified the nature and level of risk compatible with the Company's strategic objectives when it drew up its strategic, industrial and financial plans. This assessment included all and any risks that may become significant in terms of sustaining the Company's activities in the medium to long term. In support of the ICRMS and the Control and Risks Committee, on 8 July 2019 the Board of Directors appointed Angelo Mastrolia as the director responsible for the ICRMS who will perform the functions listed in point 7.C.4. of the Corporate Governance Code. With the help of the Control and Risks Committee, the Board of Directors has also drawn up guidelines for the ICRMS, identifying the system itself as a cross-sectional process integral to all business activities and based on the international principles of Enterprise Risk Management (ERM).

The purpose of the ICRMS is to help the Group achieve its performance and profit objectives, obtain reliable economic and financial information and ensure compliance with existing laws and regulations, while shielding the Company from reputational damage and financial loss. In this process, particular importance is given to identifying corporate objectives and classifying and controlling related risks by implementing specific containment actions.

There are various types of potential business risks - strategic, operational (related to the effectiveness and efficiency of business operations), reporting (related to the reliability of economic/financial information), compliance (related to compliance with existing legislation and regulations to avoid damage to the company's reputation and/or financial losses). In view of this, the Internal Audit Department verifies the suitability of the ICRMS through an audit schedule that is approved by the Board of Directors and makes provision for regular reports containing sufficient information on the performance of its activities, as well as timely reports on events of particular importance. The Board of Directors annually assesses the effectiveness of the ICRMS and its suitability in view of the characteristics of the business based on information and evidence received with the support of the investigative activities performed by the Control and Risks Committee, the Head of Internal Audit and the Supervisory Board pursuant to Legislative Decree 231/2001.

Organisational Model pursuant to Italian Leg. Decree 231/2001, Code of Ethics and fight against corruption

The Newlat Food S.p.A. Board of Directors approved its Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/2001 on 30 March 2016, updating it most recently on 9 August 2019. The Model was drawn up on the basis of guidelines issued by Confindustria (the Italian industry confederation) in accordance with the relevant legislation, and sets out standards for behaviour, procedures and control activities, in addition to powers and mandates designed to prevent the offences outlined in Legislative Decree 231/2001.

The Organisational Model was published and communicated to all personnel, third-party contractors, customers, suppliers and partners.

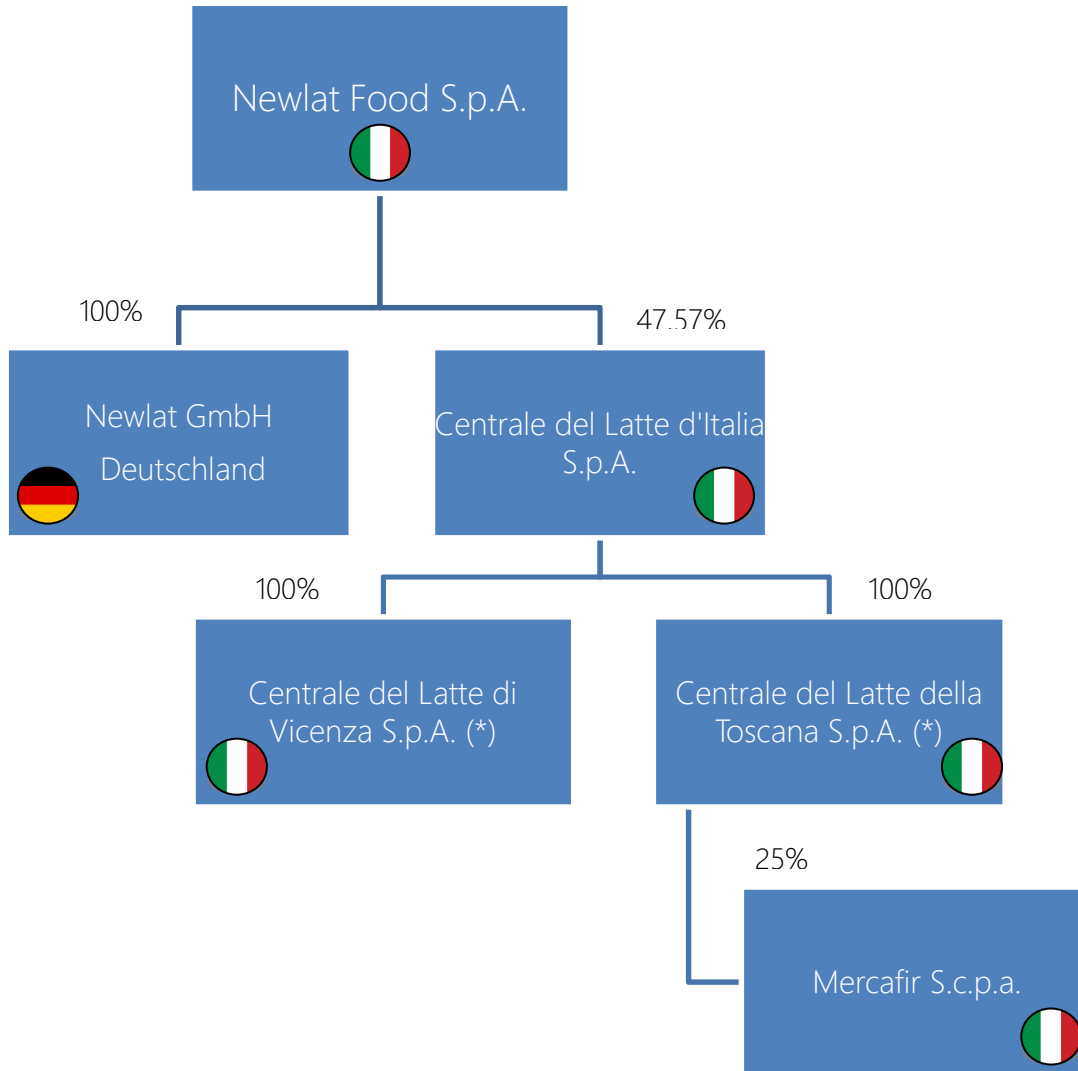
No reports of non-compliant behaviour or violations of the Code of Ethics were received during the year.

In order to ensure that the Model is correctly implemented, a Supervisory Board (SB) has been established, currently comprising Massimo Carlomagno, as Chairman, and Ester Sammartino.

The SB sends the Board of Directors a written report every six months on how the Model 231 is being implemented and disseminated within each Company department. The implementation of adequate regular and/or sporadic information flows to the SB is another important tool helping it to fulfil its legal monitoring responsibilities and ensuring that the Model serves its purpose of preventing liability.

No breaches of the Model or irregularities have emerged after examining the information received from managers of the various areas of the Company, and no acts or conduct have come to light that constitute an infringement of the provisions of Legislative Decree 231/2001.

Group Structure



(*) Companies later merged by incorporation into Centrale del Latte d'Italia S.p.A. effective from 20 July 2020, as described in Events after the Reporting Date.

The structure of the Group at 30 June 2020 differs from that at 31 December 2019 due to the purchase of 47.57% of the stake in Centrale Latte d'Italia S.p.A. (hereinafter also "CLI") on 1 April 2020 by way of an agreement with the parent company Newlat Group S.A following its acquisition from third parties at the same price.

The table below shows the main information regarding the subsidiaries of Newlat Food S.p.A.:

| Name | Registered Office | Currency | Share capital at 31 December 2019 | Control percentage | |
|---|--|----------|-----------------------------------|--------------------|---------------------|
| | | | | At 30 June 2020 | At 31 December 2019 |
| Newlat Food S.p.A. | Via J.F. Kennedy 16, Reggio Emilia | EUR | 40,780,482 | Parent company | Parent company |
| Newlat Deutschland GmbH | Franzosenstrasse 9, Mannheim (Germany) | EUR | 1,025,000 | 100% | 100% |
| Centrale del Latte d'Italia S.p.A. | Via Filadelfia 220, Torino | EUR | 28,840,041 | 47.57% | |
| Centrale del Latte della Toscana S.p.A. | Via dell'Olmattello 20, Firenze | EUR | 24,830,000 | 47.57% | |
| Centrale del Latte di Vicenza S.p.A. | Via Faedo 60, Vicenza | EUR | 27,132,965 | 47.57% | |

A table summarising the carrying amount of each direct subsidiary recorded in the Company's separate financial statements at 30 June 2020 and the equity and profit/loss data for the period for each subsidiary is provided below:

| Name | Carrying amount of equity investment (€ thousands) 30/06/2020 | Equity (€ thousands) | | Profit/loss for the period (€ thousands) | |
|------------------------------------|---|----------------------|--|--|--|
| | | 30/06/2020 | | 30/06/2020 | |
| Newlat GmbH Deutschland | 68,324 | 28,198 | | 2,717 | |
| Centrale del Latte d'Italia S.p.A. | 17,982 | 59,405 | | 2,383 | |

A brief description of the subsidiaries' activities is provided below:

- Newlat GmbH Deutschland is active in the production and sale in Germany of traditional forms of German pasta, such as spätzle, and flavoured pasta, instant cups and sauces, as well as the marketing of pasta produced by Newlat Food S.p.A.;
- Centrale del Latte d'Italia S.p.A. is a company active in the production and marketing of about 120 products ranging from milk and its derivatives to yoghurts and plant-based beverages that are distributed under the trademarks TappoRosso, Mukki, Tigullio and Vicenza in the reference territories at over 16,000 points of sale, both mass-market retailers and traditional traders. Its shares are listed on the STAR segment of the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.

Shareholders and financial markets

The Newlat Group maintains a constant dialogue with its shareholders through responsible and transparent communication carried out by the *Investor Relations* department, with the aim of facilitating an understanding of the Company's situation, outlook, Group strategies and the prospects for the reference market.

This department is also tasked with organising presentations, events and roadshows that enable a direct relationship to be established between the financial community and the Group's senior management.

For further information, and to consult the economic-financial data, corporate presentations, periodic publications, official communications and updates on the share price, visit the Investor Relations section of www.newlat.com.

The following is a graphical representation of the performance of Newlat Food stock over the period 1 January 2020 – 30 June 2020:

02/01/2020 - 30/06/2020

■ Newlat Food SpA Open: 6.02 | High: 6.04 | Low: 3.99 | Close: 5.04



The share's official closing price on 30 June 2020 was Euro 5.04.

The market capitalisation on the same date was Euro 205,533,629.

All shares issued were fully paid up.

HALF-YEAR FINANCIAL REPORT



DIRECTORS' OBSERVATIONS ON PERFORMANCE
AT 30 JUNE 2020

INTRODUCTION TO THE REPORT ON OPERATIONS

On 30 March 2020, Newlat Group S.A., the parent company of Newlat Food S.p.A., entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as the sellers, under which Newlat Group S.A. purchased 6,473,122 ordinary shares of Centrale del Latte d'Italia S.p.A. (a company listed on the STAR segment of the stock exchange and known hereinafter also as "CLI"), representing 46.24% of the share capital and voting rights, against the payment, for every three CLI shares subject to purchase and sale, of a total consideration of Euro 3.00 and 1 ordinary share of Newlat Food S.p.A. held by Newlat Group S.A., corresponding to a unit price for each share subject to purchase and sale of Euro 1.00 and 0.33 Newlat Food ordinary shares. The transaction allowed the sellers to become shareholders of Newlat Food S.p.A. with a total shareholding of 5.30% before the future share capital increase servicing the public purchase and exchange offer.

The operation was not subject to any conditions precedent. Newlat Group S.A. and the sellers executed the purchase and sale agreement on 1 April 2020.

On and after 1 April 2020, Newlat Group S.A. assigned to Newlat Food S.p.A the shares subject to purchase and sale, within the meaning of the aforementioned agreement, as well as an additional 187,120 ordinary shares of Centrale del Latte d'Italia S.p.A., representing 1.34% of the share capital already held by Newlat Group S.A., for a total of 6,660,242 ordinary shares, representing 47.57% of the share capital and enough to ensure control over CLI (the "Major Interest in Centrale del Latte d'Italia S.p.A.") under the same financial terms as the agreement entered into with the previous sellers and, therefore, against payment of a cash consideration by Newlat Food S.p.A.

As a result of the acquisition of the Major Interest in Centrale del Latte d'Italia S.p.A., Newlat Food S.p.A. has launched a mandatory public purchase and exchange offer (the "PPEO") on the remaining CLI ordinary shares, pursuant to and in accordance with applicable law, at the same consideration paid to Newlat Group S.A. (as well as the same Consideration paid by Newlat Group S.A. to the sellers) and, therefore, equal to 0.33 newly issued Newlat Food S.p.A. ordinary shares and Euro 1 for each Centrale del Latte d'Italia S.p.A. ordinary share attached to the PPEO.

In order to represent on a half-yearly basis the assets and liabilities, results and cash flows of the Newlat Group after the acquisition of CLI for the periods under review in this Report on Operations, it was appropriate to include aggregated financial information. For more details, please see "Preparation criteria".

The primary indicators at 30 June 2020 were obtained by excluding from the income statement the non-recurring income from the business combinations described in the explanatory notes.

SIGNIFICANT EVENTS DURING THE PERIOD

In January 2020, following the spread of the virus called SARS-CoV-2 and its respiratory disease called COVID-19 (commonly known as the 'Coronavirus'), the Chinese and other foreign governments took some restrictive measures to contain the potential spread of the epidemic. Among these, the most significant have involved the isolation of the region where the epidemic originated, restrictions and controls on travel to, from and within China, restrictions on the movement of the local population and the closure of offices and production facilities throughout the country.

Between the last week of February 2020 and the approval of this Half-Year Report (hereinafter also the "Half-Year Financial Report"), the aforementioned virus spread rapidly in Italy and in various other countries, with significant negative effects for the health of many people, for commercial activities and for the economies of the countries involved.

After careful monitoring of events, the Company's management has promptly implemented strategic decisions and appropriate actions in this situation and highlights the following important characteristics of its business structure, supported by excellent data on sales revenues achieved in the first half of 2020:

- full production capacity: all the establishments of the Company and the Group continued their activities, in full compliance with the health standards prescribed by the authorities;
- sourcing and logistics: in view of the primarily local (linked to geographical sales areas) structure for sourcing raw materials, and also considering current availability, we do not believe that the current COVID-19 emergency can have material impacts on the supply chain, as in the first half of 2020. Similarly, there are no problems in the logistics services used;
- distribution channels: Newlat Food S.p.A. generates 73.6% of its turnover (63.1% from its own brands and 10.5% from private labels) through the mass distribution channel, 12.5% through the B2B channel via long-term contracts with multinationals, and 11.5% through small shops, located mainly in the centre and south of Italy. Revenues from sales related to the HoReCa segment, which were particularly impacted from March 2020 by the large decrease in footfall, both from tourists and locals, are less than 3% of the total revenues of the Company.

Significant events during the first half of 2020 are illustrated below:

- on 30 March 2020, Newlat Group S.A. entered into a purchase and sale agreement, as the buyer, with Finanziaria Centrale del Latte di Torino S.p.A., Lavia – Partnership, Luigi Luzzati, Marco Fausto Luzzati, Carla Luzzati and Sylvia Loew, as sellers. For more information about the acquisition of CLI, please see the “Introduction to the Report on Operations”;
- on 9 April 2020, the Board of Directors of Centrale del Latte d’Italia S.p.A. approved the proposed merger by incorporation, within the meaning of article 2501-ter of the Italian Civil Code, of the wholly owned subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. into Centrale del Latte d’Italia S.p.A.;
- on 29 April 2020, the Shareholders' Meeting of Newlat Food S.p.A. resolved to approve the separate financial statements at 31 December 2019, to examine the 2019 consolidated financial statements and to allocate the Euro 7,474,719 profit for the year to the Statutory Reserve (5%) and to the Extraordinary Reserve (95%);
- on 29 April 2020, the Shareholders' Meeting of Centrale del Latte d’Italia S.p.A. resolved to approve the separate financial statements at 31 December 2019 and to examine the 2019 consolidated financial statements. The Shareholders' Meeting appointed a new Board of Directors as a result of the acquisition of control by Newlat;
- on 29 April 2020, the Extraordinary Shareholders' Meeting of Centrale del Latte d’Italia S.p.A. resolved a capital increase of up to Euro 30 million, which at the reporting date has not yet been subscribed;
- on 14 May 2020, the Board of Directors of Newlat Food S.p.A. examined and approved the Interim Management Report at 31 March 2020;
- on 25 June 2020, an extraordinary session of the Company's Shareholders' Meeting resolved to increase the paid share capital, on a divisible basis, in one or more rounds and also in several tranches, excluding the option right pursuant to art. 2441, paragraph 4, first sentence of the Italian Civil Code, for a maximum amount, including any premium, of Euro 24,080,032, more specifically for a maximum nominal amount of Euro 4,666,673, in addition to a maximum premium of Euro 19,413,359; The purpose of the capital increase was to issue a maximum of 4,666,673 Newlat Food S.p.A. ordinary shares without par value, with normal dividend rights and with the same characteristics as ordinary shares already in circulation, at an issue price per share of Euro 5.16 (Euro 1 capital and Euro 4.16 premium), to be paid by 31 December 2020, in one or more rounds and also in several tranches by way of the contribution in kind of (i) 6,660,242 ordinary Centrale del Latte d’Italia S.p.A. shares by Newlat Group S.A. assigned by Newlat Group S.A. to Newlat Food S.p.A. under the purchase and sale agreement on 1 April 2020; and (ii) the Centrale del Latte d’Italia S.p.A. ordinary shares attached to the full mandatory public purchase and exchange offer announced by Newlat Food S.p.A on 1 April 2020 and promoted on 3 June 2020,

concerning all the shares of Centrale del Latte d'Italia S.p.A., less the shares already held by Newlat Food S.p.A., under the terms and conditions set out in said offer.

REPORT ON OPERATIONS

The Newlat Group is an important player in the Italian and European agri-food sector. In particular, the Group has a strong position in its domestic market and a significant presence in the German market.

The Newlat Group is mainly active in the pasta, dairy and baked goods sectors, as well in special products such as health & wellness, gluten free and baby food. The Newlat Group's product range is divided into the following business units:

- Pasta;
- Milk Products;
- Dairy Products;
- Bakery Products;
- Special Products; and
- Other Products

The following table contains the income statement of the Group's combined consolidated financial statements:

| <i>(In thousands of Euro and as a percentage of revenue from contracts with customers)</i> | Half-year ended 30 June | | | |
|--|-------------------------|--------------|---------------|---------------|
| | 2020 | % | 2019 | % |
| Revenue from contracts with customers | 255,363 | 100.0% | 241,989 | 100.0% |
| Cost of sales | (199,517) | (78.1%) | (194,277) | (80.3%) |
| Gross operating profit/(loss) | 55,845 | 21.9% | 47,712 | 19.7% |
| Sales and distribution costs | (31,306) | (12.3%) | (33,541) | (13.9%) |
| Administrative costs | (14,472) | (5.7%) | (13,386) | (5.5%) |
| Net write-downs of financial assets | (696) | (0.3%) | (1,223) | (0.5%) |
| Other revenues and income | 5,125 | 2.0% | 4,722 | 2.0% |
| Income from business combinations | 19,271 | 7.5% | - | 0% |
| Other operating costs | (3,320) | (1.3%) | (2,469) | (1.0%) |
| Operating profit/(loss) (EBIT) | 30,448 | 11.9% | 1,815 | 0.7% |
| Financial income | 313 | 0.1% | 605 | 0.2% |
| Financial expenses | (1,618) | (0.6%) | (1,933) | (0.8%) |
| Profit (loss) before taxes | 29,143 | 11.4% | 486 | 0.2% |
| Income taxes | (2,978) | (1.2%) | (1,406) | (0.6%) |
| Net profit/(loss) | 26,165 | 10.2% | (920) | (0.4%) |

Operating income amounted to Euro 30.4 million, an increase compared with the same period of 2019. Net of the non-recurring income from the CLI business combination, operating income was up by a considerable 516% on the first half of the previous year. EBITDA (+64.4%) and the EBITDA margin (9.1% at 30 June 2020; 5.8% at 30 June 2019), net of the non-recurring income from the business combination, were also higher than in the same period of 2019.

The following is a brief commentary on the most significant changes to the main income statement items that occurred in the years under review:

Revenue from contracts with customers

Revenue from contracts with customers contains the contractual fees to which the Group is entitled in exchange for the transfer of the promised goods or services to customers. The contractual fees may include fixed or variable amounts or both and are recognised net of rebates, discounts and promotions, such as contributions to the mass distribution channel. In particular, in the context of existing contractual relations with mass distribution operators, contributions should be recognised as year-end bonuses linked to the achievement of certain turnover volumes or amounts related to the positioning of products on shelves.

Segment reporting

The following table provides a breakdown of revenue from contracts with customers by business unit as monitored by management.

| <i>(In thousands of Euro and percentage)</i> | Half-year ended 30 June | | | | Changes | |
|--|-------------------------|-------------|----------------|-------------|---------------|-------------|
| | 2020 | % | 2019 | % | 2020 vs 2019 | % |
| Pasta | 70,354 | 27.6% | 62,261 | 25.7% | 8,093 | 13.0% |
| Milk Products | 126,371 | 49.5% | 123,959 | 51.2% | 2,412 | 1.9% |
| Bakery Products | 20,173 | 7.9% | 17,933 | 7.4% | 2,240 | 12.5% |
| Dairy Products | 14,126 | 5.5% | 13,796 | 5.7% | 330 | 2.4% |
| Special Products | 16,624 | 6.5% | 14,766 | 6.1% | 1,858 | 12.6% |
| Other products | 7,716 | 3.0% | 9,274 | 3.9% | (1,558) | (16.8%) |
| Revenue from contracts with customers | 255,363 | 100% | 241,989 | 100% | 13,374 | 5.5% |

Revenues from the **Pasta** segment were up in the first half of 2020 because of higher sales volumes, particularly in Germany, and the greater contribution of products from the Delverde factory.

Revenues from the **Milk Products** segment were up because of higher sales volumes and an increase in average prices, particularly with regard to the subsidiary Centrale del Latte d'Italia S.p.A.

Revenues from the **Bakery Products** segment were up because of higher sales volumes.

Revenues from the **Dairy Products** segment increased as a result of a rise in sales volumes.

Revenues related to the **Special Products** segment increased mainly due to the renegotiation of price lists with Kraft-Heinz, as well as to the acquisition of new customers.

Revenues from the **Other Products** segment fell in the first half of 2020 because of lower sales volumes in the traditional food service sector, which was hit by the COVID-19 pandemic crisis.

The following table provides a breakdown of revenue from contracts with customers by distribution channels as monitored by management:

| <i>(In thousands of Euro and percentage)</i> | Half-year ended 30 June | | | | Changes | |
|--|-------------------------|-------------|----------------|-------------|---------------|-------------|
| | 2020 | % | 2019 | % | 2020 vs 2019 | % |
| Mass Distribution | 159,813 | 62.6% | 146,033 | 60.3% | 13,780 | 9.4% |
| <i>B2B partners</i> | 25,987 | 10.2% | 25,922 | 10.5% | 65 | 0.3% |
| <i>Normal trade</i> | 41,473 | 16.2% | 41,807 | 16.9% | (334) | (0.8%) |
| <i>Private labels</i> | 21,240 | 8.3% | 20,327 | 8.4% | 913 | 4.5% |
| <i>Food services</i> | 6,849 | 2.7% | 7,899 | 3.2% | (1,050) | (13.3%) |
| Revenue from contracts with customers | 255,363 | 100% | 241,989 | 100% | 13,374 | 5.5% |

Revenues from the **Mass Distribution** channel increased, primarily due to higher demand.

Revenues from the **B2B partners** channel were broadly in line with the previous half, as were their share of total revenues.

Revenues from the **Normal trade** channel were largely unchanged, albeit down slightly because of the COVID-19 pandemic.

Revenues from the **Private label** channel were up because of higher sales volumes.

Revenues from the **Food Services** channel decreased because of lower “Other Products” sales volumes in the HoReCa sector.

The following table provides a breakdown of revenue from contracts with customers by geographical area as monitored by management:

| <i>(In thousands of Euro and percentage)</i> | Half-year ended 30 June | | | | Changes | |
|--|-------------------------|------------|----------------|------------|---------------|-------------|
| | 2020 | % | 2019 | % | 2020 vs 2019 | % |
| Italy | 176,780 | 69.2% | 170,659 | 70.5% | 6,121 | 3.6% |
| Germany | 47,107 | 18.4% | 42,392 | 17.2% | 4,715 | 11.1% |
| Other countries | 31,476 | 12.4% | 27,553 | 12.2% | 2,539 | 8.8% |
| Revenue from contracts with customers | 255,363 | 100 | 246,888 | 100 | 13,375 | 5.5% |

Revenues from **Italy** increased, primarily due to higher demand.

Revenues from **Germany** increased as a result of higher volumes in the Pasta sector.

Revenues from **Other Countries** increased because of higher sales volumes in the Pasta sector.

Operating costs

The following table lists the operating costs by destination:

| <i>(In thousands of Euro and as a percentage of revenue from contracts with customers)</i> | Half-year ended 30 June | | | | | |
|--|-------------------------|--------------|----------------|--------------|--------------|-------------|
| | 2020 | % | 2019 | % | 2020 vs 2019 | % |
| Cost of sales | 199,517 | 78.1% | 194,277 | 80.3% | 5,241 | 2.7% |
| Sales and distribution costs | 31,306 | 12.3% | 33,541 | 13.5% | (2,235) | (1.2)% |
| Administrative costs | 14,472 | 5.7% | 13,386 | 5.5% | 1,086 | 0.6% |
| Total operating costs | 245,296 | 96.1% | 241,204 | 99.7% | 4,092 | 2.1% |

Cost of sales represented 78.1% of turnover (80.3% at 30 June 2019). In absolute terms, the increase in the cost of sales is directly linked to the higher sales volumes recorded in the first half of 2020. The decrease as a share of sales revenues is because of a series of policies implemented by the Group in order to optimise the procurement process and an increase in average sales prices.

Sales and distribution costs were lower both in absolute terms and as a share since they are closely tied to the food services market, which was more affected by the COVID-19 pandemic than any other channel.

Administrative expenses were 0.6% higher than at 30 June 2019, due to higher costs related to the acquired company Delverde Industrie Alimentari S.p.A., which was merged by incorporation into Newlat Food S.p.A. in 2019.

However, the figure as a percentage of sales remains unchanged compared with the same period of the previous year.

EBITDA amounted to Euro 23.2 million (9.1% of sales) compared with Euro 14 million at 30 June 2019 and represented 5.8% of sales, up by 65%.

The following table shows EBITDA by activity segment:

| Half-year combined data at 30 June 2020 | | | | | | | |
|---|--------------|---------------|-----------------|----------------|------------------|---------------|--|
| <i>(In thousands of Euro)</i> | Pasta | Milk Products | Bakery Products | Dairy Products | Special Products | Other assets | Combined Consolidated Financial Statements |
| Revenue from contracts with customers (third parties) | 70,354 | 126,371 | 20,173 | 14,126 | 16,624 | 7,716 | 255,363 |
| EBITDA (*) | 4,066 | 12,165 | 2,949 | 2,074 | 1,692 | 205 | 23,150 |
| EBITDA margin | 5.8% | 9.6% | 14.6% | 14.7% | 10.2% | 2.7% | 9.1% |
| Amortisation, depreciation and write-downs | 2,267 | 6,581 | 839 | 167 | 1,068 | 356 | 11,278 |
| Net write-downs of financial assets | - | - | - | - | - | 695 | 695 |
| Income from business combinations | - | - | - | - | - | 19,271 | 19,271 |
| Operating profit/(loss) | 1,799 | 5,584 | 2,110 | 1,907 | 624 | 18,424 | 30,448 |
| Financial income | - | - | - | - | - | 313 | 313 |
| Financial expenses | - | - | - | - | - | (1,618) | (1,618) |
| Profit (loss) before taxes | 1,799 | 5,584 | 2,110 | 1,907 | 624 | 17,119 | 29,143 |
| Income taxes | - | - | - | - | - | (2,978) | (2,978) |
| Net profit/(loss) | 1,799 | 5,584 | 2,110 | 1,907 | 624 | 14,141 | 26,165 |

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets, depreciation/amortisation and write-downs, and income from business combinations.

| Half-year combined data at 30 June 2019 | | | | | | | |
|---|------------|----------------|-----------------|----------------|------------------|----------------|--|
| <i>(In thousands of Euro)</i> | Pasta | Milk Products | Bakery Products | Dairy Products | Special Products | Other assets | Combined Consolidated Financial Statements |
| Revenue from contracts with customers (third parties) | 62,261 | 123,959 | 17,933 | 13,796 | 14,766 | 9,274 | 241,989 |
| EBITDA (*) | 3,278 | 4,794 | 2,485 | 1,826 | 1,349 | 318 | 14,050 |
| EBITDA margin | 5.3% | 3.9% | 13.9% | 13.2% | 9.1% | 3.4% | 5.8% |
| Amortisation, depreciation and write-downs | 2,297 | 6,312 | 821 | 142 | 1,020 | 420 | 11,012 |
| Net write-downs of financial assets | - | - | - | - | - | 1,223 | 1,223 |
| Operating profit/(loss) | 981 | (1,518) | 1,664 | 1,684 | 329 | (1,325) | 1,815 |
| Financial income | - | - | - | - | - | 605 | 605 |
| Financial expenses | - | - | - | - | - | (1,933) | (1,933) |
| Profit (loss) before taxes | 981 | (1,518) | 1,664 | 1,684 | 329 | (2,654) | 486 |
| Income taxes | - | - | - | - | - | (1,406) | (1,406) |
| Net profit/(loss) | 981 | (1,518) | 1,664 | 1,684 | 329 | (4,059) | (920) |

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets and depreciation/amortisation and write-downs.

Operating profit (EBIT), net of non-recurring income from the CLI business combination, amounted to Euro 11.2 million (4.4% of sales), compared with Euro 1.8 million in the first six months of 2019 (0.7% of sales), with a growth of 522%.

The tax rate for the period, net of the (non-taxable) income from the business combination, was 26.6%.

Net profit at 30 June 2020, excluding income from business combinations, was approximately Euro 6.9 million, a vast improvement on the loss of Euro 920 thousand in the half-year to 30 June 2019.

Gross operating result and operating result

The increase in gross operating profit during the periods under review (net of income from business combinations) is due to higher sales volumes and better supply chain management.

The increase in ROS (return on sales) was attributable to an increase in operating profit, due mainly to a combined effect of higher sales volumes and an improvement in the procurement process.

The following table provides a reconciliation of the ROS for the periods under review:

| <i>(In thousands of Euro and percentage)</i> | At and for the half-year ended 30 June | |
|--|--|-------------|
| | 2020 | 2019 |
| Operating profit/(loss) (EBIT) | 11,177 | 1,815 |
| Revenue from contracts with customers | 255,363 | 241,989 |
| ROS (*) | 4.4% | 0.7% |

(*) ROS (return on sales) is an alternative performance indicator not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure to those provided by the Group's financial statements when assessing the Group's results. In order to standardise EBIT at 30 June 2020 for comparative purposes, extraordinary income from business combinations was ignored and the data at 30 June 2019 include Centrale del Latte d'Italia S.p.A and Newlat Deutschland GmbH. Please see "Preparation criteria" in the Report on Operations

The ROI (*return on investment*) increased mainly because of a considerable rise in operating income (EBIT).

The following table provides a reconciliation of the ROI for the periods under review:

| <i>(In thousands of Euro and percentage)</i> | At and for the half-year ended 30 June | At and for the year ended 31 December |
|--|--|---------------------------------------|
| | 2020 | 2019 Proforma |
| Operating profit/(loss) (EBIT) | 18,619 | 9,257 |
| Net invested capital (*) | 166,289 | 171,917 |
| ROI (*) | 11.2% | 5.4% |

(*) Net invested capital and ROI (return on investment) are alternative performance indicators not identified as an accounting measure under IFRS and, therefore, should not be considered alternative measures to those provided by the Group's financial statements when assessing the Group's results. The data at 31 December 2019 are shown on a proforma basis, while EBIT at 30 June 2020 was determined on a 12-month rolling basis without considering income from business combinations.

EBITDA

The table below provides a reconciliation of EBITDA, the EBITDA margin and cash conversion at 30 June 2020, 30 June 2019 and 31 December 2019.

| <i>(In thousands of Euro and percentage)</i> | At and for the half-year ended 30 June | | At 31 |
|--|--|---------------|------------------------|
| | 2020 | 2019 | December 2019 Proforma |
| Operating profit/(loss) (EBIT) | 11,177 | 1,815 | 9,257 |
| Amortisation, depreciation and write-downs | 11,278 | 11,012 | 21,831 |
| Net write-downs of financial assets | 695 | 1,223 | 1,850 |
| EBITDA (*) (A) | 23,150 | 14,050 | 34,788 |
| Revenue from contracts with customers | 255,363 | 241,986 | 496,053 |
| EBITDA margin (*) | 9.1% | 5.7% | 7.0% |
| Investments (B) | 3,491 | 5,294 | 18,051 |
| Cash conversion [(A) - (B)]/(A) | 84.9% | 62.3% | 48.1% |

(*) Operating profit/(loss) (EBIT), EBITDA, the EBITDA margin and the cash conversion are alternative performance indicators not identified as an accounting measure under IFRS and, therefore, should not be considered alternative measures to those provided by the Group's financial statements when assessing the Group's results. For the purpose of a like-for-like comparison, the 2019 data are shown on a proforma basis including in the scope of consolidation the new acquisition and Newlat Deutschland GmbH, while the data at 30 June 2020 have been standardised by not taking into account income from business combinations.

To assess performance, the Company's management monitors, among other things, EBITDA by business unit as shown in the table below.

| <i>(In thousands of Euro and as a percentage of revenue from contracts with customers)</i> | Half-year ended 30 June | | | |
|--|-------------------------|-------------|---------------|-------------|
| | 2020 | % | 2019 | % |
| Pasta | 4,066 | 5.8% | 3,278 | 5.3% |
| Milk Products | 12,165 | 9.6% | 4,794 | 3.9% |
| Bakery Products | 2,949 | 14.6% | 2,485 | 13.9% |
| Dairy Products | 2,074 | 14.7% | 1,826 | 13.2% |
| Special Products | 1,692 | 10.2% | 1,349 | 9.1% |
| Other products | 205 | 2.7% | 318 | 3.4% |
| EBITDA | 23,150 | 9.1% | 14,050 | 5.8% |

EBITDA from the **Pasta** segment was up because of higher sales volumes, particularly in Germany.

EBITDA from the **Milk Products** segment was up, primarily because of an increase in sales volumes, especially at the subsidiary Centrale del Latte d'Italia S.p.A.

EBITDA from the **Bakery Products** segment increased mainly due to the combination of (i) higher sales volumes and (ii) better supply chain management.

EBITDA from the **Dairy Products** segment increased mainly due to the increase in sales volumes with higher margins, particularly mascarpone.

EBITDA from the **Special Products** segment increased mainly due to the increase in sales volumes and the renegotiation of some existing contracts.

EBITDA from the **Other Products** segment was down because of lower sales volumes caused by the COVID-19 crisis.

Standardised EBITDA

The Group's management monitors performance through, among other things, the Standardised EBITDA, defined as the EBITDA of the period adjusted for income and expenses that, by their nature, are reasonably expected not to recur in future periods.

| <i>(In thousands of Euro and percentage)</i> | At and for the half-year ended 30 June | |
|--|--|---------------|
| | 2020 | 2019 |
| EBITDA (*) | 23,150 | 14,050 |
| Non-recurring expense/(income) | 310 | 184 |
| Standardised EBITDA (*) | 23,460 | 14,234 |
| Revenue from contracts with customers | 255,363 | 241,989 |
| Standardised EBITDA margin (*) | 9.2% | 5.9% |

(*) EBITDA, Standardised EBITDA and the Standardised EBITDA margin are alternative performance indicators not identified as an accounting measure under IFRS and, therefore, should not be considered alternative measures to those provided by the Group's financial statements when assessing the Group's results. For the purpose of a like-for-like comparison, the 2019 data are shown on a proforma basis including in the scope of consolidation the new acquisition and Newlat Deutschland GmbH, while the data at 30 June 2020 have been standardised by not taking into account income from business combinations.

The Group's Standardised EBITDA increased by Euro 9,226 thousand (+64.8%). This change was due exclusively to the trend in EBITDA.

The following table provides standardised EBITDA by business unit at 30 June 2020 and 2019:

| <i>(In thousands of Euro and as a percentage of revenue from contracts with customers)</i> | Half-year ended 30 June | | | |
|--|-------------------------|-------------|---------------|-------------|
| | 2020 | % | 2019 | % |
| Pasta | 4,266 | 6.1% | 3,278 | 5.3% |
| Milk Products | 12,165 | 9.6% | 4,978 | 4.0% |
| Bakery Products | 2,949 | 14.6% | 2,485 | 13.9% |
| Dairy Products | 2,074 | 14.7% | 1,826 | 13.2% |
| Special Products | 1,802 | 10.8% | 1,349 | 9.1% |
| Other Products | 205 | 2.7% | 318 | 3.4% |
| Standardised EBITDA | 23,460 | 9.2% | 14,234 | 5.8% |

Net profit/(loss)

The table below provides a reconciliation of the ROE at 30 June 2020, 30 June 2019 and 31 December 2019.

| <i>(In thousands of Euro and percentage)</i> | At and for the half-year ended 30 June | | At 31 December |
|--|---|------------------|-------------------|
| | 2020 | 2019 Proforma | 2019 Proforma |
| Proforma net profit/(loss) | 11,613 | (920) | 3,800 |
| Shareholders' equity | 129,291 | 120,276 | 124,076 |
| ROE (*) | 9.0% | (0.8)% | 3.1% |

(*) The ROE (*return on equity*) is an alternative performance indicator not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure to those provided by the Group's financial statements when assessing the Group's results. For the purpose of a like-for-like comparison, the 2019 data are shown on a proforma basis including in the scope of consolidation the new acquisition and Newlat Deutschland GmbH, while the data at 30 June 2020 have been standardised by not taking into account income from business combinations.

The significant increase in ROE related mainly to the increase in net profit (+206% compared with the proforma data at 31 December 2019).

Report on the performance and results of the Group's activities

To assess the Group's performance, management monitors, among other things, the alternative performance indicators pertaining to assets and liabilities, results and cash flows, which are summarised in the table below. Other indicators pertaining to assets and liabilities, results and cash flows at 30 June 2020, for the purpose of enabling like-for-like and comparable analysis, have been standardised by not taking into account income from business combinations. The comparative indicators at 30 June 2019 and 31 December 2019 take into account aggregated and proforma data.

| <i>(In thousands of Euro and percentage)</i> | At and for the half-year ended 30 June | | At and for the year ended 31 December 2019 |
|--|--|----------|--|
| | 2020 | 2019 | |
| Net non-current assets | 193,235 | 64,506 | 63,792 |
| Net operating working capital | (14,993) | (7,124) | (10,437) |
| Net working capital | (26,947) | (21,430) | (20,871) |
| Net invested capital | 166,289 | 43,076 | 42,921 |
| Net financial debt | 17,727 | 22,221 | (48,624) |
| Borrowings | 166,289 | 43,076 | 42,921 |
| Investments | 3,491 | 5,294 | 4,659 |
| Investments as a share of revenues | 1.4% | 2.1% | 1.5% |
| Average days in inventory | 40 | 42 | 36 |
| Turnover rate of inventories | 9.0 | 8.6 | 11.7 |
| Average days for collection of trade receivables | 51 | 68 | 52 |
| Trade receivables turnover rate | 7.1 | 5.3 | 6.9 |
| Average days for payment of trade payables | 140 | 138 | 118 |
| Turnover rate of trade payables | 2.6 | 2.6 | 3.1 |
| Revenue from contracts with customers | 255,363 | 246,888 | 320,902 |
| EBITDA | 23,150 | 14,050 | 28,325 |
| EBITDA margin | 9.1% | 5.8% | 8.8% |
| <i>Cash conversion</i> | 84.9% | 62.3% | 83.6% |
| <i>Cash flow conversion ratio</i> | 85.9% | 84.3% | 81.2% |
| Adjusted EBITDA | 23,460 | 14,234 | 28,692 |
| Adjusted EBITDA margin | 9.7% | 4.4% | 9.4% |
| Adjusted operating profit/(loss) (EBIT) | 11,177 | 1,815 | 14,559 |
| Adjusted operating profit/(loss) (EBIT) margin | 4.4% | 0.7% | 4.5% |
| Adjusted EBIT | 11,487 | 1,998 | 14,926 |
| Adjusted EBIT margin | 4.5% | 0.8% | 4.7% |
| ROS | 4.4% | 0.7% | 4.5% |
| Adjusted proforma ROI | 11.2% | 1.1% | 5.4% |
| Adjusted proforma net profit/(loss) | 11,613 | (920) | 3,800 |
| Proforma adjusted net profit/(loss) | 11,923 | (736) | 4,167 |
| Adjusted proforma ROE | 7.8% | (0.8%) | 6.0% |
| <i>Adjusted proforma adjusted ROE</i> | 9.2% | (0.6%) | 6.6% |

(*) The alternative performance indicators set out in this table are not identified as accounting measures under IFRSs and should therefore not be considered as alternative measures to those provided by the Group's financial statements when assessing the Group's financial position and results.

The following table shows the reclassified statement for "Sources and uses" of the combined consolidated statement of financial position and statement of cash flows:

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 30 June 2019 | At 31 December 2019 |
|---------------------------------|--------------------|--------------------|---------------------------|
| Uses | | | |
| Net non-current assets (*) | 193,236 | 64,506 | 63,792 |
| Net working capital (*) | (26,947) | (21,430) | (20,871) |
| Net invested capital (*) | 166,289 | 43,076 | 42,921 |
| Sources | | | |
| Shareholders' equity | 148,562 | 20,855 | 91,547 |
| Net financial debt (*) | 17,727 | 22,221 | (48,624) |
| Total borrowings | 166,289 | 43,076 | 42,921 |

(*) Net non-current assets, net working capital, net invested capital and net financial debt are alternative performance indicators not identified as accounting measures under IFRSs and should therefore not be considered as alternative measures to those provided by the Group's financial statements when assessing the Group's financial position.

The Euro 123,368 thousand increase in the Group's net invested capital at 30 June 2020, compared with 31 December 2019, was due mainly to the acquisition of Centrale del Latte d'Italia Group.

The changes that affected shareholders' equity in the period ended 30 June 2020 related to the following effects:

- share capital increase via the future issue of shares to the shareholder Newlat Group S.A. totalling Euro 11,322 thousand as part of the acquisition of Centrale del Latte d'Italia Group;
- the net profit for the period attributable to the Group, in the amount of Euro 25,033 thousand;
- other minor changes in the amount of Euro 262 thousand;
- recognition of net equity attributable to third parties (i.e. the minority shareholders of CLI) in the amount of Euro 20,924 thousand.

Net financial debt

The following is a detailed statement of the Group's net financial debt at 30 June 2020 and 31 December 2019 determined in accordance with CONSOB Communication DEM/6064293 of 28 July 2006 and in compliance with Recommendations ESMA/2013/319:

| <i>(in thousands of Euro)</i> | At 30 June | At 31 December | At 31 December |
|--|-----------------|--------------------------|-------------------|
| Net financial debt | 2020 | 2019 Proforma | 2019 |
| A. Cash | 460 | 270 | 39 |
| B. Other cash equivalents | 149,064 | 112,904 | 100,845 |
| C. Securities held for trading | 4 | 4 | 4 |
| D. Cash and cash equivalents (A)+(B)+(C) | 149,528 | 113,178 | 100,888 |
| E. Current financial receivables | - | - | - |
| F. Current bank payables | (22,073) | (25,665) | (17,575) |
| G. Current portion of non-current debt | (30,116) | (29,114) | (4,779) |
| H. Other current financial debt | (16,387) | (10,179) | (4,878) |
| I. Current financial debt (F)+(G)+(H) | (68,576) | (64,958) | (27,232) |
| J. Net current financial debt (I) + (E) + (D) | 80,959 | 48,220 | 73,656 |
| K. Non-current bank loans | (75,348) | (56,358) | (12,000) |
| L. Bonds issued | (9,933) | (11,872) | - |
| M. Other non-current financial debt | (13,398) | (15,316) | (13,032) |
| N. Non-current financial debt (K)+(L)+(M) | (98,679) | (83,546) | (25,032) |
| O. O. Net financial debt (J) + (N) | (17,727) | (35,326) | 48,623 |

The Euro 66,343 thousand decrease at 30 June 2020 in the Group's net financial debt compared with 31 December 2019 was due to the acquisition of Centrale del Latte d'Italia Group.

Comparison with the proforma data at 31 December 2019 demonstrates a significant improvement of Euro 17,599 thousand in the net financial position thanks to the Newlat Group's ability to generate cash flows from operating activities.

At 30 June 2020, without considering lease liabilities under IFRS 16, net financial debt was as follows:

| <i>(in thousands of Euro)</i> | At 30 June | At 31 December | At 31 December |
|-------------------------------|-----------------|-------------------|-------------------|
| | 2020 | 2019 Proforma | 2019 |
| Net financial debt | (17,727) | (35,326) | 48,623 |
| Current lease liabilities | 6,024 | 6,828 | 4,776 |
| Non-current lease liabilities | 13,398 | 15,316 | 13,032 |
| Net Financial Position | 1,695 | (13,182) | 66,432 |

Changes in net financial position during the half-year ended 30 June 2020 are shown below:

| | |
|---|---------------|
| Proforma net financial position at 31 December 2019 (millions of Euro) | (35.3) |
| EBITDA | 23.1 |
| Net working capital | (0.5) |
| Interest and taxes | (1.3) |
| Investments | (3.5) |
| Other minor operating costs | (0.2) |
| Net Financial Position at 30 June 2020 | (17.7) |

The net financial position compared with the proforma data at 31 December 2019 has improved considerably by some Euro 17.7 million, due to the excellent half-year performance and the Group's ability to generate cash from operating activities.

The following table shows some of the Group's solvency indicators at 30 June 2020 and 31 December 2019:

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 Proforma | At 31 December 2019 |
|--------------------------------------|--------------------|---------------------------------------|------------------------|
| Net financial debt / Equity | (0.12) | (0.25) | 0.53 |
| Net financial debt / EBITDA (*) (**) | (0.77) | (1.02) | 1.72 |
| EBITDA / financial expenses (*) | 14.31 | 9.21 | 14.56 |

INVESTMENTS

The following table provides a breakdown of the Group's investments in property, plant and equipment and intangible assets at 30 June 2020:

| <i>(In thousands of Euro and percentage)</i> | Half-year ended 30 June | |
|--|-------------------------|--------------|
| | 2020 | % |
| Land and buildings | 123 | 3.5% |
| Plant and machinery | 1,815 | 52.0% |
| Industrial and commercial equipment | 236 | 6.8% |
| Other assets | 5 | 0.1% |
| Assets under construction and payments on account | 1,031 | 29.5% |
| Investments in property, plant and equipment | 3,210 | 91.9% |
| Patents and intellectual property rights | 212 | 6.1% |
| Concessions, licences, trademarks and similar rights | 11 | 0.3% |
| Other assets | 51 | 1.5% |
| Assets under development | 7 | 0.2% |
| Investments in intangible assets | 281 | 8.1% |
| Total investments | 3,491 | 100% |

During the reporting period, the Group made investments totalling Euro 3,491 thousand. The Group's investment policy is aimed at innovation and diversification in terms of product supply. In particular, the Group attaches importance to the development of new products, with the aim of continuously improving customer satisfaction. Investments in property, plant and equipment relate mainly to purchases of plant and machinery, mostly in connection with projects for updating and renovating production and packaging lines. Investments in intangible assets relate mainly to the purchase and updating of software.

The following table provides a breakdown by business unit of the Group's investments:

| <i>(In thousands of Euro and percentage)</i> | Half-year ended 30 June | |
|--|-------------------------|---------------|
| | 2020 | % |
| <i>Special Products</i> | 234 | 6.7% |
| Pasta | 534 | 15.3% |
| <i>Bakery Products</i> | 305 | 8.7% |
| <i>Milk Products</i> | 2409 | 69.0% |
| <i>Dairy Products</i> | 9 | 0.3% |
| Other assets | 0 | 0.0% |
| Total investments | 3,491 | 100.0% |

Investments in the Milk Products business unit refer mainly to improving production efficiency at the Centrale del Latte d'Italia Group plants and at Newlat's Reggio Emilia factory.

Investments in the Special Products business unit relate mainly to new software and packaging systems.

Investments in the Pasta business unit relate mainly to the new packaging facility for pasta products, located in the plants at Sansepolcro (AR), Cremona (CR) and Eboli (SA).

Investments in the Bakery Products business unit mainly relate to the new packaging facility for baked products at the Sansepolcro (AR) plant.

OTHER INFORMATION

Policy for analysing and managing risks connected with the activities of the Group

This section provides information on exposure to risks connected with the activities of the Group as well as the objectives, policies and processes for managing such risks and the methods used to assess and to mitigate them.

The guidelines for the Group's ICRMS, defined by the Board of Directors, identify the internal control system as a cross-sectional process integral to all business activities.

The purpose of the ICRMS is to help the Group achieve its performance and profit objectives, obtain reliable economic and financial information and ensure compliance with existing laws and regulations, while shielding the Company from reputational damage and financial loss. In this process, particular importance is given to identifying corporate objectives, classifying (based on combined assessments regarding the probability and the potential impact) and controlling related risks by implementing specific containment actions.

There are various types of potential business risks: strategic, operational (related to the effectiveness and efficiency of business operations), reporting (related to the reliability of economic-financial information), compliance (related to the observance of the laws and regulations in force, to avoid the company suffering damage to its image or and/or economic losses) and, lastly, financial. Those in charge of the various company departments identify and assess the risks within their jurisdiction, whether these originate within or outside the Group, and identify actions to limit and reduce them (so-called "first-level control").

On top of this come the activities of the Financial Reporting Officer and their staff (so-called "second-level control") and those of the Manager of the Internal Audit function (so called "third-level control") who continuously monitors the efficiency and effectiveness of the internal audit and risk management system through risk assessment activities, the performance of audit operations and the subsequent management of follow up.

The results of the risk identification procedures are reported and discussed to and discussed by the Group's senior management so that they can be covered and insured and the residual risk can be evaluated.

The following paragraphs describe the risks considered to be significant and connected with the activities of the Group (the order in which they are listed does not imply any classification, in terms of either probability of occurrence or possible impact):

STRATEGIC RISKS

Risks relating to the macroeconomic and sector situation

The activity of the Group is influenced by the general conditions of the economy in the various markets where it operates. A period of economic crisis, with a consequent slow-down in consumption, can have a negative impact on the sales trends of the Group. The current macroeconomic context causes significant uncertainty regarding forecasts, with the resulting risk that reduced performance could impact margins in the short term. The Group pursues its aim of increasing its industrial efficiency and improving its production capacity while reducing overheads.

Risks connected with the external growth strategy

The Group has so far based its growth strategy on acquisitions of other companies, businesses or business units, and the plan is to continue this external growth strategy. The Group is therefore exposed to the risk of not being able to identify suitable companies or businesses in the future in order to feed its external growth strategy, or of not having the financial resources necessary to acquire the identified entities. The Group is also exposed to the risk that its past or future acquisitions will bring about unexpected costs and/or liabilities that prevent it from achieving its objectives.

OPERATING RISKS

Risks related to the high level of competitiveness of the sector

The food & beverage market in which the Group operates is characterised by a particularly significant level of competition, competitiveness and dynamism. This market is characterised in particular by (i) increasing competitiveness of companies that produce so-called private label products with prices lower than those charged by the Group; (ii) increasing prevalence of online sales (where the Group is starting to have a presence) resulting in a decrease in product prices, especially in the mass distribution channel, through which the Group generates a significant percentage of its revenues, namely 62.6% on an aggregate basis at 30 June 2020; (iii) frequent promotional campaigns over time and with significant discounts; (iv) consolidation of existing operators (through M&As), especially in the mass distribution channel. The Group pursues its aim of increasing its industrial efficiency and improving its production

capacity while reducing overheads and being competitive in its reference markets. Moreover, thanks to the presence of some “unique” products, the Group is able to face any level of competition.

FINANCIAL RISKS

Management of financial risks

The main business risks identified, monitored and, as specified below, actively managed by the Group are as follows:

- market risk, arising from the fluctuation of interest rates and of exchange rates between the euro and the other currencies in which the Group operates;
- credit risk, arising from the possibility of counterparty default;
- liquidity risk, arising from a lack of financial resources to meet commitments.

The Group's objective is to manage its financial exposure over time so that liabilities are balanced with assets on the statement of financial position and that the necessary operational flexibility is in place by using bank loans and the cash generated by current operating activities.

The ability to generate liquidity from core operations, together with the ability to borrow, allows the Group to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The Group's financial policy and the management of the related financial risks are centrally guided and monitored. In particular, the central finance function is responsible for assessing and approving forecast financial requirements, monitoring performance and taking corrective action where necessary.

Exchange risk

Exposure to the risk of exchange rate fluctuations derives from the Group's commercial activities conducted in currencies other than the euro. Revenues and costs denominated in foreign currency can be influenced by fluctuations in the exchange rate, bringing about an impact on trade margins (economic risk), and trade and financial payables and receivables denominated in foreign currency can be impacted by the conversion rates used, with a knock-on effect on the profit or loss (transaction risk). Finally, fluctuations in exchange rates are also reflected in consolidated results and equity.

The main exchange rates to which the Group is exposed are:

- Euro/USD, in relation to transactions carried out in US dollars;
- Euro/GBP, in relation to transactions carried out in pound sterling.

The Group does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Group's results, since the amount of inflows and outflows of foreign currency is not only insignificant, but also fairly similar in terms of volumes and timing.

A hypothetical positive or negative change of 100 bps in the exchange rates relating to the currencies in which the Group operates would not have a significant impact on the

net result and shareholders' equity of the periods under review, insofar as foreign-currency exposure is less than 1% of turnover.

Interest rate risk

The Group uses external financial resources in the form of debt and uses the liquidity available in market instruments. Changes in interest rate levels affect the cost and return of the various forms of funding and use, thus affecting consolidated net financial expense. Exposure to interest rate risk is constantly monitored according to the trend of the Euribor curve, in order to assess possible interventions to contain the risk of a potential rise in market interest rates. At the reference dates, there were no hedges carried out by trading in derivatives.

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated income statement and consolidated shareholders' equity that would result from a hypothetical positive and negative change of 50 bps in interest rates compared with those actually recorded in each period. The analysis was carried out mainly with regard to the following items: (i) cash and cash equivalents and (ii) short- and medium-/long-term financial liabilities. With regard to cash and cash equivalents, reference was made to the average inventory and the average rate of return for the period, while for short- and medium-/long-term financial liabilities, the precise impact was calculated.

The table below shows the results of the analysis carried out:

| <i>(in thousands of Euro)</i> | Impact on profit net of taxes | | Impact on shareholders' equity net of tax | |
|-------------------------------|-------------------------------|----------|---|----------|
| | - 50 bps | + 50 bps | - 50 bps | + 50 bps |
| Year ended 30 June 2020 | (413) | 413 | (413) | 413 |
| Period ended 31 December 2019 | (62) | 62 | (62) | 62 |

Credit risk

The Group is exposed to the credit risk inherent in the possibility of its customers becoming insolvent and/or less creditworthy, so it monitors the situation continually. Credit risk derives essentially from the Group's commercial activity, where its counterparties are predominantly mass and retail distribution operators. Retail receivables are extremely fragmented, while the mass distribution segment is characterised by a larger exposure to a single client.

The following table provides a breakdown of trade receivables at 30 June 2020 and 31 December 2019 grouped by maturity, net of the provision for bad debts:

| <i>(in thousands of Euro)</i> | Not overdue | 1-90 days overdue | 91-180 days overdue | More than 181 days overdue | Total |
|--|---------------|-------------------|---------------------|----------------------------|---------------|
| Gross trade receivables at 30 June 2020 | 56,172 | 14,378 | 4,493 | 16,433 | 91,476 |
| Provision for bad debts | - | (532) | (947) | (16,395) | (17,874) |
| Net trade receivables at 30 June 2020 | 56,172 | 13,847 | 3,546 | 38 | 73,602 |
| Gross trade receivables at 31 December 2019 | 36,662 | 8,839 | 2,943 | 16,250 | 64,694 |
| Provision for bad debts | - | (238) | (222) | (14,960) | (15,420) |
| Net trade receivables at 31 December 2019 | 36,662 | 8,601 | 2,721 | 1,290 | 49,274 |

Liquidity risk

Liquidity risk is the risk that, due to the inability to find new funds or to liquidate assets on the market, the Group will not be able to meet its payment obligations, resulting in a negative impact on results if it is forced to incur additional costs to meet its obligations or an insolvency situation.

The liquidity risk to which the Group may be subject comprises the failure to find sufficient financial resources for its operations, as well as for the development of its industrial and commercial activities. The two main factors that determine the Group's liquidity situation are the resources generated or absorbed by operating and investment activities, and the maturity and renewal status of payables or the liquidity of financial commitments and market conditions. In particular, the main factor affecting the Group's liquidity is the resources absorbed by operating activities: the sector in which the Group operates has seasonal sales phenomena, with peak liquidity requirements in the third quarter caused by a higher volume of trade receivables compared with the rest of the year. The Group's commercial and finance teams work together to manage the changing liquidity requirements, which involves carefully planning financial requirements related to sales, drafting the budget at the beginning of the year and carefully monitoring requirements throughout the year.

Since they are also subject to seasonal phenomena, liquidity requirements linked to inventory dynamics are subject to analysis as well: planning purchases of raw materials for the inventory is managed in accordance with established practices, with the Chairman involved in decisions that could have an impact on the Group's financial equilibrium.

Based on established practices inspired by prudence and stakeholder protection, the Group's financing activity involves negotiating credit lines with the banking system and continually monitoring the Group's cash flows.

The table below provides a breakdown of the Group's financial requirements by contractual maturity:

| <i>(in thousands of Euro)</i> | Carrying amount at 30 June 2020 | Expiry date | | |
|------------------------------------|---------------------------------------|--------------------|--------------------|----------------|
| | | Within one year | Beyond one year | Beyond 5 years |
| Total financial liabilities | 167,255 | 70,527 | 81,975 | 14,753 |

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to CONSOB Communication no. 6064293 of 28 July 2006, note that during the first half of 2020 no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets and safeguarding the minority shareholders. Previous explanations have been provided as to the accounting and financial effects of the extraordinary transactions that took place in the first half of 2020, namely the acquisition of a controlling stake in CLI Group on 1 April 2020 and the subsequent ongoing capital increase, in service of the public purchase and exchange offer launched on the remaining CLI shares.

Treasury shares and shares of parent companies

In compliance with the provisions of article 2428 of the Italian Civil Code, it is confirmed that during the first half of 2020 the Parent Company did not trade in any treasury shares or shares of parent companies and does not, at 30 June 2020, hold any treasury shares or shares of parent companies. The subsidiaries do not hold any shares of the Parent Company.

After the reporting date, on 25 August 2020 the Parent Company initiated the purchase of treasury shares, as authorised by the Company's Shareholders' Meeting on 29 April 2020, in order to have a stock of treasury shares at its disposal or to use or sell them at any moment, in full or in part, in one or more rounds and with no time limits, as part of possible future one-off transactions. As at 7 September 2020, the Company has 12,000 treasury shares.

Sub-offices

At its meeting on 16 July 2020, the Board of Directors of the subsidiary Centrale del Latte d'Italia S.p.A. resolved to set up a secondary office in Florence.

Transactions with related parties

The Group's transactions with related parties (hereinafter, "**Related Party Transactions**"), identified based on criteria defined by IAS 24 – Related Party Disclosures, are mainly of a commercial or financial nature and are carried out under normal market conditions. On 6 September 2019, the Board of Directors approved the text of and resolved to adopt the Procedure for Transactions with Related Parties with effect from the shares starting to trade on the Mercato Telematico Azionario and subject to the favourable opinion of the Related Party Transactions Committee, also taking into account the guidelines provided by the Related Party Regulations. The RPT Committee expressed this favourable opinion at its meeting of 13 November 2019.

The explanatory notes to the consolidated financial statements report on the income statement items at 30 June 2020 and 30 June 2019 and the statement of financial position items at 31 December 2019 pertaining to related party transactions. This information has been extracted from the Condensed Consolidated Half-Year Report and from calculations carried out by the Company based on the outcome of general and operational accounting work.

The Group did not carry out Related Party Transactions that were unusual in terms of characteristics, or significant in terms of amount, other than those of an ongoing nature or which have already been illustrated, except for the acquisition of Centrale del Latte d'Italia Group on 1 April 2020, as described previously.

For information on the remuneration of members of corporate bodies and senior managers, see the explanatory notes to the separate and consolidated financial statements.

The Group deals with the following related parties:

- direct parent company ("**Parent Company**");
- companies controlled by the direct parent company other than its own subsidiaries and associates ("**Companies controlled by the parent companies**").

Outlook

Right from the beginning of the pandemic, the Group has shown that it is ready to deal with this situation, offering suitable product and service responses to the various demands that have arisen, particularly after the various stages of this experience, from the lockdown in March and April 2020 to the subsequent gradual reopening of commercial activities by some of the Group's clients.

The same thing applies to activities performed in line with Group guidelines. These are less commercial and logistical and more operations-oriented, such as strengthening liquidity and carefully managing trade receivables and operating costs, making sure in all cases to prioritise customer and employee satisfaction.

All this has enabled the Group, as we can see by the results, to deliver better margins and create more value for its shareholders. This trend continued during July and August 2020.

Against this background, it is useful to stress that the commercial organisation and the production setup have played a crucial role in customer relations. Such an approach puts the end consumer at the centre of Group policies and guidelines while reinforcing brand loyalty.

The Mass Distribution channel enjoyed considerable growth of 9.4%, while the food services channels (restaurants, bars, hotels, etc.) saw sales dip by 13.3%. There have already been some improvements in the food service channel in the second quarter, and this continued into July and August, as a result of hotels and restaurants reopening and the Group managing to achieve sales in excess of the market average. The sum of these two components is also reflected in provisional operating revenues, which in July 2020 alone totalled around Euro 45 million, an average increase of 12% on the same period of the previous year.

On account of these positive foundations, although there remains considerable uncertainty about what path the Coronavirus will take, Newlat Food S.p.A.'s management remains fully confident in the continuation of its organic growth plans.

At the date of preparation of this report, it is not possible to predict when the epidemic will cease to spread and whether the national governments, in Italy and in the other countries where the Company and the Newlat Group operate, will adopt any further restrictive measures affecting production and commercial activities, as well as the movement of people, in such a way as to influence household consumption.

In view of the above, the Group is unable to predict the extent to which these events might affect the outlook for the Company and the Newlat Group for the final months of 2020, but, based on the data available when this report was being prepared, the Directors believe they can reasonably exclude the possibility of COVID-19 being significantly detrimental.

Business continuity

With reference to the content of the previous paragraph, even taking into account the complexity of a rapidly evolving market, the Group feels it is fair and reasonable to assume its status as a going concern in view of its ability to generate cash flows from operating activities and fulfil its obligations in the foreseeable future, particularly in the next 12 months, based on the Group's solid financial structure as described below:

- the considerable level of cash reserves available at 30 June 2020;
- the presence of authorised and unused lines of credit at 30 June 2020 from the Newlat Group to the majority shareholder Newlat Group S.A.;
- the continual support given by the leading banks to the Newlat Group, partly because of its market-leading status.

In addition to the factors mentioned above, the Group has recognised a commitment from government bodies to support the operators and entities that have been most

affected by COVID-19 through protective measures that will be implemented in the coming months and of which the Group intends to avail itself where possible.

Events after the reporting date

- In relation to the mandatory public purchase and exchange offer made by Newlat Food S.p.A. for all the ordinary Centrale del Latte d'Italia S.p.A. shares it did not already own, on 3 July 2020 CONSOB approved the offer document pursuant to article 102, paragraph 4 of Legislative Decree 58/98.
- On 7 July 2020, Centrale del Latte d'Italia S.p.A. entered into a loan agreement with MPS Capital Services Banca per le Imprese S.p.A. and Deutsche Bank S.p.A. for a total amount of Euro 31.5 million.
- On 20 July 2020, the mergers by incorporation of Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A into Centrale del Latte d'Italia S.p.A. were completed, thereby simplifying the structure of the CLI Group.
- On 30 July 2020, the final results of the take-up of Newlat Food S.p.A.'s offer to the shareholders of Centrale del Latte d'Italia S.p.A. was announced. Based on these results, 2,803,460 ordinary Centrale del Latte d'Italia S.p.A. shares were signed up to the offer, accounting for 20.02% of CLI's share capital and 38.19% of the ordinary shares targeted by the offer. Also taking into account the 6,660,242 ordinary Centrale del Latte d'Italia S.p.A. shares making up the offeror's existing majority stake, the final results show that at 30 July 2020, Newlat Food S.p.A. owned a total of 9,463,702 ordinary Centrale Latte d'Italia S.p.A. shares, equal to 67.59% of its share capital. Newlat Food S.p.A. paid to each shareholder who took up the offer a consideration of Euro 1 and 0.33 newly issued ordinary Newlat Food S.p.A. shares, which resulted from the share capital increase approved by Newlat's Shareholders' Meeting on 25 June 2020. Payment of the consideration for the shares that were signed up to the offer during the take-up period took place on 31 July 2020.
- On 7 August 2020, Centrale del Latte d'Italia S.p.A. announced its intention to repay early and in full the Debenture Loan originally expiring in 2024. The request for early repayment is subject to the General Meeting of the bondholders of the Debenture Loan, convened for 9 September 2020, approving the changes to the Debenture Loan Regulations, which, among other things, are aimed at bringing forward the date from which the Company can proceed with the early repayment of the outstanding amount of the Debenture Loan. The early repayment date is predicted to be 16 September 2020.
- On 25 August 2020, Newlat Food S.p.A. initiated the purchase of treasury shares, as authorised by the Company's Shareholders' Meeting on 29 April 2020, in order to give the Company a stock of treasury shares at its disposal or to use or sell them at any moment, in full or in part, in one or more rounds and with no time limits, as part of possible future one-off transactions. The maximum amount of ordinary shares to be purchased is 1,000,000, equal to 2.28% of the total number of the Company's ordinary shares in circulation, for a maximum amount

of Euro 6 million. The purchase programme begun in execution of the decision taken by the Ordinary Shareholders' Meeting on 29 April 2020, which authorised the Company to purchase treasury shares for a period of 18 months from said date (i.e. up to 29 October 2021) and to hold treasury shares in its portfolio for an unlimited time.

Reggio Emilia, 7 September 2020

For the Board of Directors
Angelo Mastrolia
Chairman of the Board of Directors



Combined financial statements

Combined statement of financial position

| <i>(in thousands of Euro)</i> | At 30 June | At 31 December | At 31 December |
|--|----------------|----------------|-------------------|
| | 2020 | 2019 (*) | 2019 combined |
| Non-current assets | | | |
| Property, plant and equipment | 148,367 | 31,799 | 151,857 |
| Investment property | | | |
| Right-of-use assets | 19,027 | 17,326 | 21,630 |
| <i>of which from related parties</i> | <i>8,088</i> | <i>9,467</i> | <i>9,467</i> |
| Intangible assets | 44,722 | 25,217 | 44,872 |
| Equity investments in associates | 1,401 | | 1,397 |
| Non-current financial assets measured at fair value through profit or loss | 733 | 42 | 698 |
| Financial assets measured at amortised cost | 806 | 866 | 867 |
| <i>of which from related parties</i> | <i>735</i> | <i>735</i> | <i>735</i> |
| Deferred tax assets | 5,436 | 5,034 | 6,698 |
| Total non-current assets | 220,491 | 80,284 | 228,019 |
| Current assets | | | |
| Inventories | 44,157 | 25,880 | 36,635 |
| Trade receivables | 73,602 | 49,274 | 70,739 |
| <i>of which from related parties</i> | <i>19</i> | <i>19</i> | <i>19</i> |
| Current tax assets | 3,284 | 716 | 3,946 |
| Other receivables and current assets | 11,492 | 4,701 | 13,317 |
| Current financial assets measured at fair value through profit or loss | 4 | 4 | |
| Cash and cash equivalents | 149,524 | 100,884 | 4 |
| <i>of which from related parties</i> | <i>38,629</i> | <i>45,338</i> | <i>119,834</i> |
| Total current assets | 282,063 | 181,459 | 45,338 |
| TOTAL ASSETS | 502,554 | 261,743 | 244,475 |
| Shareholders' equity | | | |
| Share capital | 40,780 | 40,780 | 40,780 |
| Reserves | 61,824 | 40,454 | 84,219 |
| Net profit/(loss) | 25,033 | 10,311 | 3,800 |
| Total shareholders' equity attributable to the Group | 127,638 | 91,546 | 128,799 |
| Minority interests | 20,924 | | 19,817 |
| Total consolidated equity | 148,562 | 91,546 | 148,616 |
| Non-current liabilities | | | |
| Provisions for employee benefits | 15,297 | 10,646 | 16,502 |
| Allowances for risks and charges | 1,476 | 1,396 | 1,461 |
| Deferred tax liabilities | 9,882 | 3,850 | 9,939 |
| Non-current financial liabilities | 85,281 | 12,000 | 68,278 |
| Non-current lease liabilities | 13,398 | 13,032 | 15,316 |
| <i>of which to related parties</i> | <i>5,559</i> | <i>6,989</i> | <i>6,989</i> |
| Other non-current liabilities | 600 | 600 | 600 |
| Total non-current liabilities | 125,933 | 41,524 | 112,096 |

| Current liabilities | | | |
|---|----------------|----------------|----------------|
| Trade payables | 132,751 | 85,592 | 124,752 |
| <i>of which to related parties</i> | 228 | 149 | 149 |
| Current financial liabilities | 62,552 | 22,456 | 58,089 |
| <i>of which to related parties</i> | 5,981 | | |
| Current lease liabilities | 6,024 | 4,776 | 6,828 |
| <i>of which to related parties</i> | 2,778 | 2,341 | 2,341 |
| Current tax liabilities | 1,931 | 471 | 483 |
| Other current liabilities | 24,799 | 15,379 | 21,630 |
| Total current liabilities | 228,058 | 128,674 | 211,782 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 502,554 | 261,743 | 472,495 |

(*) the combined data at 31 December 2019 refer to the Newlat Food Group's annual financial report, with the sole inclusion in the structure being 12 months of operations of Newlat GmbH Deutschland.

Combined income statement

| <i>(in thousands of Euro)</i> | Half-year ended 30 June | |
|---|-------------------------|----------------|
| | 2020 | 2019 |
| Revenue from contracts with customers | 255,363 | 241,989 |
| Cost of sales | (199,517) | (194,277) |
| <i>of which related-party transactions</i> | (1,693) | (1,679) |
| Gross operating profit/(loss) | 55,845 | 47,712 |
| Sales and distribution costs | (31,306) | (33,541) |
| Administrative costs | (14,472) | (13,386) |
| <i>of which related-party transactions</i> | 60 | (304) |
| Net write-downs of financial assets | (696) | (1,223) |
| Other revenues and income | 5,125 | 4,722 |
| Income from business combinations | 19,271 | |
| Other operating costs | (3,320) | (2,469) |
| Operating profit/(loss) | 30,448 | 1,815 |
| Financial income | 313 | 605 |
| <i>of which related-party transactions</i> | 162 | 371 |
| Financial expenses | (1,618) | (1,933) |
| <i>of which related-party transactions</i> | (111) | (332) |
| Profit (loss) before taxes | 29,143 | 486 |
| Income taxes | (2,978) | (1,406) |
| Net profit/(loss) | 26,165 | (920) |
| Profit (loss) attributable to minority interests | 1,132 | (1,714) |
| Group net profit/(loss) | 25,033 | 795 |
| Basic net profit/(loss) per share | 0.61 | (0.03) |
| Diluted net profit/(loss) per share | 0.61 | (0.03) |

Combined consolidated statement of other comprehensive income

| <i>(in thousands of Euro)</i> | Half-year ended 30 June | |
|--|-------------------------|----------------|
| | 2020 | 2019 |
| Net profit/(loss) (A) | 26,165 | (920) |
| a) Other components of comprehensive income that will not be subsequently reclassified to the income statement: | | |
| Actuarial gains/(losses) | (205) | (324) |
| Tax effect on actuarial gains/(losses) | 63 | 128 |
| Total other components of comprehensive income that will not be subsequently reclassified to the income statement | (142) | (196) |
| Total other components of comprehensive income, net of tax effect (B) | (142) | (196) |
| Total comprehensive net profit/(loss) (A) + (B) | 26,023 | (1,116) |
| Profit (loss) attributable to minority interests | 1,106 | (1,789) |
| Group net profit/(loss) | 24,917 | 672 |

Combined consolidated statement of changes in equity

| <i>(in thousands of Euro)</i> | Share capital | Reserves | Net profit/(loss) | Total shareholders' equity attributable to the Group | Shareholders' equity attributable to minority interests | Total |
|---|---------------|-----------------|-------------------|--|---|-----------------|
| At 31 December 2018 | 27,000 | 30,588 | 5,952 | 63,540 | | 63,540 |
| Allocation of net profit/(loss) for the previous year | - | 5,952 | (5,952) | - | - | - |
| Aggregation of Newlat GmbH Deutschland | - | (58,324) | - | (58,324) | - | (58,324) |
| Total transactions with shareholders | - | (58,324) | - | (58,324) | - | (58,324) |
| Share capital increase via IPO | 13,780 | - | - | 13,780 | - | 13,780 |
| Increase in the share premium reserve | - | 66,147 | - | 66,147 | - | 66,147 |
| IPO costs | - | (5,075) | - | (5,075) | - | (5,075) |
| Tax benefit - IPO costs | - | 1,415 | - | 1,415 | - | 1,415 |
| IPO total | 13,780 | 62,487 | - | 76,267 | | 76,267 |
| Net profit/(loss) | - | - | 10,311 | 10,311 | - | 10,311 |
| Actuarial gains/(losses) net of the related tax effect | - | (249) | - | (249) | - | (249) |
| Total comprehensive net profit/(loss) for the year | - | (249) | 10,311 | 10,062 | | 10,062 |
| At 31 December 2019 | 40,780 | 40,454 | 10,311 | 91,546 | - | 91,546 |
| Allocation of net profit/(loss) for the previous year | - | 10,311 | (10,311) | - | - | - |
| Acquisition of Centrale del Latte d'Italia S.p.A. | - | - | - | - | 19,817 | 19,817 |
| Capital increase costs | - | (146) | - | (146) | - | (146) |
| Future capital increase | - | 11,322 | - | 11,322 | - | 11,322 |
| Total capital increase | - | 11,176 | | 11,176 | 19,817 | 30,993 |
| Net profit/(loss) | - | - | 25,033 | 25,033 | 1,132 | 26,165 |
| Actuarial gains/(losses) net of the related tax effect | - | (116) | - | (116) | (25) | (142) |
| Total comprehensive net profit/(loss) for the year | - | (116) | 25,033 | 24,917 | 1,106 | 26,023 |
| At 30 June 2020 | 40,780 | 61,824 | 25,033 | 127,638 | 20,924 | 148,562 |

Combined consolidated statement of cash flows at 30 June 2020

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|--|--------------------|------------------------|
| Profit (loss) before taxes | 29,143 | 13,195 |
| - <i>Adjustments for:</i> | | |
| Amortisation, depreciation and write-downs | 11,971 | 13,692 |
| Capital losses/(gains) on disposal | (5) | 84 |
| Financial expense/(income) | 1,305 | 1,368 |
| <i>of which related-party transactions</i> | 51 | 273 |
| Other non-monetary changes from business combinations | (19,271) | - |
| Other non-monetary changes | (15) | 652 |
| Cash flow generated /(absorbed) by operating activities before changes in net working capital | 23,128 | 28,991 |
| Increase (decrease) in inventory | (7,523) | 1,184 |
| Change in trade receivables | (3,557) | 6,384 |
| Change in trade payables | 8,001 | (10,821) |
| Change in other assets and liabilities | 8,176 | 10,250 |
| <i>of which related-party transactions</i> | | 10,000 |
| Use of provisions for risks and charges and for employee benefits | (1,174) | (1,084) |
| Taxes paid | (3,133) | (1,171) |
| Net cash flow generated /(absorbed) by operating activities | 23,918 | 33,733 |
| Investments in property, plant and equipment | (3,715) | (4,460) |
| Investments in intangible assets | (181) | (499) |
| Divestment of financial assets | 21 | - |
| Deferred fee for acquisitions | - | (2,521) |
| Aggregation of Delverde Industrie Alimentari S.p.A. | - | (2,795) |
| Aggregation of Newlat GmbH Deutschland | - | (58,324) |
| Aggregation of Centrale del Latte d'Italia S.p.A. | 12,291 | - |
| Net cash flow generated /(absorbed) by investment activities | 8,415 | (68,599) |
| New long-term financial debt | 25,000 | 15,000 |
| Repayments of long-term financial debt | (3,902) | (9,866) |
| <i>Repayments of lease liabilities</i> | (3,487) | (6,345) |
| <i>of which related-party transactions</i> | (1,488) | (2,940) |
| Net interest expense | (1,305) | (1,368) |
| IPO fee | - | 76,544 |
| Net cash flow generated/(absorbed) by financing activities | 16,306 | 73,965 |
| Total changes in cash and cash equivalents | 48,640 | 39,099 |
| Cash and cash equivalents at start of year | 100,884 | 61,786 |
| <i>of which related-party transactions</i> | 45,338 | 61,429 |
| Total changes in cash and cash equivalents | 48,640 | 39,099 |
| Cash and cash equivalents at end of year | 149,524 | 100,884 |
| <i>of which related-party transactions</i> | 38,629 | 45,338 |

Proforma financial statements

Proforma statement of financial position

| <i>(in thousands of Euro)</i> | Group Combined Consolidated Statement of Financial Position as at 31 December 2019 | Proforma adjustments | | Group Proforma Consolidated Statement of Financial Position as at 31 December 2019 |
|--|--|--|---|--|
| | | CLI Reclassified Consolidated Statement of Financial Position as at 31 December 2019 | Accounting for purchase of CLI Major Interest | |
| Non-current assets | | | | |
| Property, plant and equipment | 31,799 | 120,058 | - | 151,857 |
| Right-of-use assets | 17,326 | 4,304 | - | 21,630 |
| Intangible assets | 25,217 | 19,655 | - | 44,872 |
| Equity investments in associates | - | 1,397 | - | 1,397 |
| Non-current financial assets measured at fair value through profit or loss | 42 | - | 1,391 | 1,433 |
| Financial assets measured at amortised cost | 866 | 656 | - | 1,522 |
| Deferred tax assets | 5,034 | 1,664 | - | 6,698 |
| Total non-current assets | 80,284 | 147,735 | 1,391 | 229,410 |
| Current assets | | | | |
| Inventories | 25,880 | 10,755 | - | 36,635 |
| Trade receivables | 49,274 | 21,465 | - | 70,739 |
| Current tax assets | 716 | 3,230 | - | 3,946 |
| Other receivables and current assets | 4,702 | 8,615 | - | 13,317 |
| Current financial assets measured at fair value through profit or loss | 4 | - | - | 4 |
| Cash and cash equivalents | 100,884 | 18,950 | (6,660) | 113,174 |
| Total current assets | 181,460 | 63,015 | (6,660) | 237,815 |
| TOTAL ASSETS | 261,744 | 210,750 | (5,269) | 467,225 |
| Group shareholders' equity | 91,546 | 57,070 | (25,086) | 123,530 |
| Minority interests | - | - | 19,817 | 19,817 |
| SHAREHOLDERS' EQUITY | 91,546 | 57,070 | (5,269) | 143,347 |
| Non-current liabilities | | | | |
| Provisions for employee benefits | 10,646 | 5,856 | - | 16,502 |
| Allowances for risks and charges | 1,396 | 65 | - | 1,461 |
| Deferred tax liabilities | 3,850 | 6,089 | - | 9,939 |
| Non-current financial liabilities | 12,000 | 56,278 | - | 68,278 |
| Non-current lease liabilities | 13,032 | 2,284 | - | 15,316 |
| Other non-current liabilities | 600 | - | - | 600 |
| Total non-current liabilities | 41,524 | 70,572 | - | 112,096 |
| Current liabilities | | | | |
| Trade payables | 85,592 | 39,160 | - | 124,752 |
| Current financial liabilities | 22,456 | 35,633 | - | 58,089 |
| Current lease liabilities | 4,776 | 2,052 | - | 6,828 |
| Current tax liabilities | 471 | 12 | - | 483 |
| Other current liabilities | 15,379 | 6,251 | - | 21,630 |
| Total current liabilities | 128,674 | 83,108 | - | 211,782 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 261,744 | 210,750 | (5,269) | 467,225 |

Proforma income statement

| <i>(in thousands of Euro)</i> | Group Combined Consolidated Income Statement for the year ended 31 December 2019 | Proforma adjustments CLI Reclassified Consolidated Income Statement for the year ended 31 December 2019 | Proforma consolidated income statement of the Group for the year ended 31 December 2019 |
|---------------------------------------|--|---|---|
| Revenue from contracts with customers | 320,902 | 175,151 | 496,053 |
| Cost of sales | (262,212) | (134,361) | (396,573) |
| Gross operating profit/(loss) | 58,690 | 40,790 | 99,480 |
| Sales and distribution costs | (31,717) | (34,859) | (66,576) |
| Administrative costs | (13,417) | (11,507) | (24,924) |
| Net write-downs of financial assets | (674) | (1,176) | (1,850) |
| Other revenues and income | 5,141 | 3,436 | 8,577 |
| Other operating costs | (3,464) | (1,986) | (5,450) |
| Operating profit/(loss) | 14,559 | (5,302) | 9,257 |
| Financial income | 582 | 239 | 821 |
| Financial expenses | (1,946) | (1,833) | (3,779) |
| Income (expenses) from investments | - | 117 | 117 |
| Profit (loss) before taxes | 13,195 | (6,779) | 6,416 |
| Income taxes | (2,884) | 268 | (2,616) |
| Net profit/(loss) | 10,311 | (6,511) | 3,800 |

Financial statements and explanatory notes

Consolidated Statement of Financial Position at 30 June 2020

| <i>(in thousands of Euro)</i> | Notes | At 30 June 2020 | At 31 December 2019 |
|--|----------|--------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 148,367 | 31,799 |
| Right-of-use assets | | 19,027 | 17,326 |
| <i>of which from related parties</i> | | 8,088 | 9,467 |
| Intangible assets | | 44,722 | 25,217 |
| Equity investments in associates | | 1,401 | |
| Non-current financial assets measured at fair value through profit or loss | | 733 | 42 |
| Financial assets measured at amortised cost | | 806 | 866 |
| <i>of which from related parties</i> | | 735 | 735 |
| Prepaid tax assets | | 5,436 | 5,034 |
| Total non-current assets | 1 | 220,491 | 80,284 |
| Current assets | | | |
| Inventories | | 44,157 | 25,880 |
| Trade receivables | | 73,602 | 49,274 |
| <i>of which from related parties</i> | | 19 | 19 |
| Current tax assets | | 3,284 | 716 |
| Other receivables and current assets | | 11,492 | 4,701 |
| Current financial assets measured at fair value through profit or loss | | 4 | 4 |
| Cash and cash equivalents | | 149,524 | 100,884 |
| <i>of which from related parties</i> | | 38,629 | 45,338 |
| Total current assets | 2 | 282,063 | 181,459 |
| TOTAL ASSETS | | 502,554 | 261,743 |
| Shareholders' equity | | | |
| Share capital | | 40,780 | 40,780 |
| Reserves | | 61,696 | 43,591 |
| Group net profit/(loss) | | 25,575 | 7,173 |
| Total shareholders' equity of the Group | | 128,052 | 91,545 |
| Minority interests | | 20,511 | |
| Total consolidated equity | 3 | 148,562 | 91,546 |
| Non-current liabilities | | | |
| Provisions for employee benefits | | 15,297 | 10,646 |
| Allowances for risks and charges | | 1,476 | 1,396 |
| Deferred tax liabilities | | 9,882 | 3,850 |
| Non-current financial liabilities | | 85,281 | 12,000 |
| Non-current lease liabilities | | 13,398 | 13,032 |
| <i>of which to related parties</i> | | 5,559 | 6,989 |
| Other non-current liabilities | | 600 | 600 |
| Total non-current liabilities | 4 | 125,934 | 41,524 |
| Current liabilities | | | |
| Trade payables | | 132,751 | 85,592 |
| <i>of which to related parties</i> | | 228 | 149 |

| | | | |
|---|----------|----------------|----------------|
| Current financial liabilities | | 62,552 | 22,456 |
| <i>of which to related parties</i> | | 5,981 | - |
| Current lease liabilities | | 6,024 | 4,776 |
| <i>of which to related parties</i> | | 2,778 | 2,341 |
| Current tax liabilities | | 1,931 | 471 |
| Other current liabilities | | 24,799 | 15,379 |
| Total current liabilities | 5 | 228,057 | 128,674 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 502,554 | 261,743 |

Consolidated income statement at 30 June 2020

| <i>(in thousands of Euro)</i> | Half-year ended 30 June | |
|---|-------------------------|---------------|
| | 2020 | 2019 |
| Revenue from contracts with customers | 208,384 | 128,977 |
| <i>of which related-party transactions</i> | - | 12,432 |
| Cost of sales | (165,257) | (108,646) |
| <i>of which related-party transactions</i> | (1,693) | (1,679) |
| Gross operating profit/(loss) | 43,127 | 20,331 |
| Sales and distribution costs | (23,611) | (12,496) |
| Administrative costs | (11,478) | (5,279) |
| <i>of which related-party transactions</i> | (60) | (209) |
| Net write-downs of financial assets | (438) | (881) |
| Other revenues and income | 4,535 | 2,691 |
| Non-recurring income from business combinations | 20,296 | - |
| Other operating costs | (2,623) | (894) |
| Operating profit/(loss) | 29,809 | 3,472 |
| Financial income | 264 | 260 |
| <i>of which related-party transactions</i> | 162 | 371 |
| Financial expenses | (1,043) | (868) |
| <i>of which related-party transactions</i> | (111) | (132) |
| Profit (loss) before taxes | 29,031 | 2,864 |
| Income taxes | (2,612) | (1,121) |
| Net profit/(loss) | 26,418 | 1,743 |
| Profit (loss) attributable to minority interests | 843 | 0 |
| Group net profit/(loss) | 25,575 | 1,743 |
| Basic net profit/(loss) per share | 0.63 | 0.06 |
| Diluted net profit/(loss) per share | 0.63 | 0.06 |

Consolidated statement of comprehensive income at 30 June 2020

| <i>(in thousands of Euro)</i> | Half-year ended 30 June | |
|--|-------------------------|--------------|
| | 2020 | 2019 |
| Net profit/(loss) (A) | 26,418 | 1,743 |
| a) Other components of comprehensive income that will not be subsequently reclassified to the income statement: | | |
| Actuarial gains/(losses) | (575) | (324) |
| Tax effect on actuarial gains/(losses) | 181 | 128 |
| Total other components of comprehensive income that will not be subsequently reclassified to the income statement | (394) | (196) |
| Total other components of comprehensive income, net of tax effect (B) | (394) | (196) |
| Total comprehensive net profit/(loss) (A)+(B) | 26,025 | 1,547 |
| Profit (loss) attributable to minority interests | 687 | - |
| Group net profit/(loss) | 25,338 | 1,547 |

Consolidated statement of changes in equity

| <i>(in thousands of Euro)</i> | Share capital | Reserves | Net profit/(loss) | Shareholders' equity attributable to the Group | Shareholders' equity attributable to minority interests | Total |
|---|---------------|-----------------|-------------------|--|---|-----------------|
| At 31 December 2018 | 27,000 | 20,362 | 3,361 | 50,720 | | 50,720 |
| Allocation of net profit/(loss) for the previous year | - | 3,361 | (3,361) | - | - | - |
| Net profit/(loss) | - | - | 1,743 | 1,743 | - | 1,743 |
| Actuarial gains/(losses) net of the related tax effect | - | (368) | - | (368) | - | (368) |
| At 30 June 2019 | 27,000 | 23,354 | 1,743 | 52,095 | - | 52,095 |
| Aggregation of Newlat GmbH Deutschland | - | (42,367) | - | (42,367) | | (42,367) |
| Total transactions with shareholders | - | (42,367) | - | (42,367) | | (42,367) |
| Share capital increase via IPO | 13,780 | - | - | 13,780 | - | 13,780 |
| Increase in the share premium reserve | - | 66,147 | - | 66,147 | - | 66,147 |
| IPO costs | - | (5,075) | - | (5,075) | - | (5,075) |
| Tax benefit - IPO costs | - | 1,415 | - | 1,415 | - | 1,415 |
| IPO total | 13,780 | 62,487 | - | 76,267 | - | 76,267 |
| Net profit/(loss) | - | - | 5,430 | 5,430 | - | 5,430 |
| Actuarial gains/(losses) net of the related tax effect | - | 119 | - | 119 | - | 119 |
| Total comprehensive net profit/(loss) for the year | - | 119 | 5,430 | 5,549 | | 5,549 |
| At 31 December 2019 | 40,780 | 43,593 | 7,173 | 91,544 | | 91,544 |
| Allocation of net profit/(loss) for the previous year | - | 7,173 | (7,173) | - | - | - |
| Acquisition of Centrale del Latte d'Italia S.p.A. | - | - | - | - | 19,817 | 19,817 |
| Capital increase costs | - | (146) | - | (146) | - | (146) |
| Equity increase | - | 11,322 | - | 11,322 | - | 11,322 |
| Total capital increase | | 11,176 | - | 11,176 | - | 11,176 |
| Net profit/(loss) | - | - | 25,575 | 25,575 | 843 | 26,418 |
| Actuarial gains/(losses) net of the related tax effect | - | (244) | - | (244) | (150) | (394) |
| Total comprehensive net profit/(loss) for the year | - | - | 25,575 | 25,334 | 693 | 26,024 |
| At 30 June 2020 | 40,780 | 61,698 | 25,575 | 128,052 | 20,511 | 148,562 |

Consolidated statement of cash flows at 30 June 2020

| <i>(in thousands of Euro)</i> | Notes | Half-year ended 30 June | |
|--|-------|-------------------------|-----------------|
| | | 2020 | 2019 |
| Profit (loss) before taxes | | 29,038 | 2,864 |
| - <i>Adjustments for:</i> | | | |
| Amortisation, depreciation and write-downs | 1 | 9,237 | 5,052 |
| Capital losses/(gains) on disposal | | (5) | (14) |
| Financial expense/(income) | | 772 | 608 |
| <i>of which related-party transactions</i> | | 160 | 152 |
| Other non-monetary changes from business combinations | | (20,296) | - |
| Other non-monetary changes | | (15) | 981 |
| Cash flow generated /(absorbed) by operating activities before changes in net working capital | | 18,730 | 9,491 |
| Increase (decrease) in inventory | 2 | (7,618) | (1,737) |
| Change in trade receivables | 2 | 1,843 | 9,651 |
| Change in trade payables | 5 | 7,538 | (3,047) |
| Change in other assets and liabilities | 2-5 | 5,628 | 12,482 |
| <i>of which related-party transactions</i> | | - | 10,000 |
| Use of provisions for risks and charges and for employee benefits | 4 | (248) | (610) |
| Taxes paid | 2-5 | (2,871) | (316) |
| Net cash flow generated /(absorbed) by operating activities | | 23,010 | 25,914 |
| Investments in property, plant and equipment | 1 | (3,703) | (954) |
| Investments in intangible assets | 1 | (163) | (88) |
| Disposal of property, plant and equipment | | - | 19 |
| Divestment of financial assets | 1 | 21 | - |
| Aggregation of Delverde Industrie Alimentari S.p.A. | | - | (1,607) |
| Aggregation of Newlat GmbH Deutschland | | - | (45,000) |
| Aggregation of Centrale del Latte d'Italia S.p.A. | | 19,760 | - |
| Net cash flow generated /(absorbed) by investment activities | | 15,914 | (47,630) |
| New long-term financial debt | 4-5 | 25,000 | - |
| Repayments of long-term financial debt | 4-5 | (12,020) | (1,960) |
| Change in current financial debt | | - | 1,639 |
| <i>Repayments of lease liabilities</i> | 4-5 | (2,485) | (2,244) |
| <i>of which related-party transactions</i> | | (1,488) | (1,523) |
| Net interest expense | | (772) | (528) |
| Net cash flow generated/(absorbed) by financing activities | | 9,723 | (3,093) |
| Total changes in cash and cash equivalents | | 48,640 | (24,809) |
| Cash and cash equivalents at the beginning of the period | | 100,884 | 37,683 |
| <i>of which related-party transactions</i> | | 45,338 | 37,345 |
| Total changes in cash and cash equivalents | | 48,640 | (24,809) |
| Cash and cash equivalents at the end of the period | | 149,524 | 12,874 |
| <i>of which related-party transactions</i> | | 38,629 | - |



Notes to the Half-Year Financial Report

Introductory notes

The data in the consolidated half-year report differ from the aggregated data shown in the previous report on operations insofar as they include in the scope of consolidation the income statement data of Centrale del Latte d'Italia S.p.A. Group only from 1 April 2020, i.e. the effective date of that purchase.

The comparative data at 30 June 2019 do not include Newlat GmbH Deutschland because in a business combination under common control, the consolidation takes place prospectively, i.e. as of the change of control. The change of control took place when the Newlat stock began to trade on the stock exchange, namely 29 October 2019, which was after the closing date of the first half of 2019.

Basis of preparation

The consolidated financial statements at 30 June 2020 were prepared in accordance with the international accounting standards

(IAS/IFRS) adopted by the European Union for interim financial statements (IAS 34). The financial statements were prepared in accordance with IAS 1, while the notes were prepared in condensed form applying the option provided for in IAS 34 and therefore do not include all the information required for an annual report prepared in accordance with IFRSs. The consolidated financial statements at 30 June 2020 should therefore be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2019.

The accounting standards and criteria adopted in the financial statements as at 30 June 2020 may not coincide with the provisions of the IFRSs in force as at 31 December 2020, due to future guidance from the European Commission on the approval of international accounting standards or the issuance of new standards, interpretations or implementation guidelines by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of interim financial statements in accordance with IAS 34 - Interim Financial Reporting requires judgements, estimates and assumptions that have an effect on the values of revenues, costs and assets and liabilities, and on the disclosures relating to contingent assets and liabilities at the reporting date. It should be noted that these estimates may differ from the actual results achieved in the future. The financial statement items that most require greater subjectivity on the part of the Directors when producing the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements are: goodwill, depreciation and amortisation of non-current assets, deferred taxes, the provision for doubtful receivables, the provision for inventory write-downs, the provisions for risks, the defined benefit plans for employees and the determination of the fair value of the assets and liabilities acquired as part of the business combinations.

As at the reporting date of the half-year financial report, the Group's management has

considered possible changes to the assumptions made at the end of 2019 as a result of the COVID-19 crisis but did not find that there were grounds for such changes. For more details, please see the report on operations.

Business continuity

Please refer to the report on operations.

Measurement criteria

The measurement criteria used for the preparation of the consolidated financial statements for the six months ending 30 June 2020 are the same as those used for the consolidated financial statements at 31 December 2019, except for the new accounting standards, amendments and interpretations applicable from 1 January 2020, which are described below and which did not have a material impact on the Group's results, assets and liabilities and cash flows:

- Changes to IAS 1 and IAS 8. These changes, published by the IASB on 31 October 2018, provide for a new definition of "material", namely: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity"*.
- Amendments to the *Conceptual Framework for Financial Reporting*, published by the IASB on 29 March 2018. The main changes compared with the 2010 version are: i) a new chapter on measurement; ii) improved definitions and guidance, in particular the definition of a liability; iii) clarifications in important areas, such as stewardship, prudence and measurement uncertainty.
- Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform). These changes focus on hedge accounting in order to clarify the potential effects arising from the uncertainty caused by the "Interest Rate Benchmark Reform". They also require companies to provide further information to investors about hedging relationships that are directly affected by these uncertainties.
- Amendments to IFRS 3 - Business Combinations. These amendments, issued by the IASB on 22 October 2018, are aimed at resolving the problems that arise when an entity needs to determine whether it has acquired a business or a group of assets.

The main accounting standards, amendments and interpretations applicable to financial years after 2020 are listed below:

- IFRS 17 - Insurance Contracts. This standard, issued on 18 May 2017, establishes the principles for recognising, measuring, presenting and representing the insurance contracts covered by the standard. The aim of IFRS 17 is to guarantee that an entity provides relevant information that faithfully reflects such contracts in order to provide readers of the financial statements with a basis for measuring how such contracts affect the entity's results, assets and liabilities and cash flows. On 21 June 2018, the IASB resolved to issue clarifications about IFRS 17 - "*Insurance Contracts*" to ensure that the interpretation of the standard reflects the decisions taken by the *Board*, particularly in relation to certain points of contracts subject to variable fees and aspects related to IFRS 3 - Business Combinations. The provisions of IFRS 17 shall take effect as of financial years beginning on or after 1 January 2021.
- The IASB has published amendments to IAS 1 - "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" with the aim of clarifying how to classify payables and other liabilities as short or long term. The amendments will come into force on 1 January 2022, but early adoption is permitted.

Notes to the Half-Year Financial Report at 30 June 2020

Scope of consolidation and goodwill

| Name | Registered Office | Currency | Share capital at 30 June 2020 | Control percentage at 30 June 2020 |
|--------------------------------------|--|----------|-------------------------------|------------------------------------|
| Newlat Food S.p.A. | Via J.F. Kennedy 16, Reggio Emilia Franzosenstrasse | EUR | 40,780,482 | Parent company |
| Newlat GmbH Deutschland | 9, Mannheim | EUR | 1,025,000 | 100% |
| Centrale del Latte d'Italia S.p.A. | Via Filadelfia 220, Torino | EUR | 28,840,041 | 47.57% |
| Centrale del Latte Toscana S.p.A. | Via dell'Olmattello 20, Firenze | EUR | 24,830,000 | 47.57% |
| Centrale del Latte di Vicenza S.p.A. | Via Faedo 60, Vicenza (Italy) | EUR | 27,132,965 | 47.57% |

The scope of consolidation at 30 June 2020 differs from those at 30 June and 31 December 2019 insofar as it includes the acquisition of Newlat GmbH Deutschland on 29 October 2019 and that of Centrale del Latte d'Italia Group on 1 April 2020.

In addition, at 30 June 2019, the scope of consolidation included Delverde Industrie Alimentari S.p.A. and Centrale del Latte di Salerno S.p.A. (merged by incorporation into Newlat Food S.p.A. in December 2019).

Consolidation criteria and methodology

The half-year financial report includes the statements of financial position, the income statements and the cash flow statements of Newlat Food S.p.A. and its subsidiaries, prepared in compliance with IFRS.

At 30 June 2020, all subsidiaries included in the scope were consolidated using the line-by-line method, having in the case of Centrale del Latte d'Italia Group a qualified majority that guarantees control (47.57%), and minority interests were recognised.

Marcafir, in which the subsidiary Centrale del Latte Toscana S.p.A. has a 25% stake, was consolidated using the equity method.

In preparing the Half-Year Report, all balances and transactions carried out between the companies included in the scope have been eliminated and therefore the Half-Year Report does not include any of the transactions in question.

Segment information

IFRS 8 - *Operating Segments* defines an operating segment as a component:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker;
- for which discrete financial information is available.

For the purposes of IFRS 8, the Group's activity is identifiable in the following business segments: Pasta, Milk Products, Bakery Products, Dairy Products, Special Products and Other Products.

The table below shows the main statement of financial position and income statement items examined by the chief operating decision maker in order to assess Group performance at 30 June 2020, and the reconciliation of these items with respect to the corresponding amount included in the Half-Year Report:

| At and for the period ended 30 June 2020 | | | | | | | |
|--|----------------|----------------|-----------------|----------------|------------------|--------------------------------|----------------|
| <i>(In thousands of Euro)</i> | Pasta | Milk Products | Bakery Products | Dairy Products | Special Products | Other Group products and items | Total |
| Revenue from contracts with customers | 70,354 | 79,392 | 20,173 | 14,126 | 16,624 | 7,716 | 208,384 |
| EBITDA (*) | 4,066 | 7,765 | 2,949 | 2,074 | 1,692 | 205 | 18,750 |
| EBITDA margin | 5.8% | 9.8% | 14.6% | 14.7% | 10.2% | 2.7% | 9.0% |
| Amortisation, depreciation and write-downs | 2,267 | 4,104 | 839 | 167 | 1,068 | 354 | 8,799 |
| Net write-downs of financial assets | - | - | - | - | - | 438 | 438 |
| Income from business combinations | - | - | - | - | - | 20,296 | 20,296 |
| Operating profit/(loss) | 1,799 | 3,661 | 2,110 | 1,907 | 624 | 19,709 | 29,809 |
| Financial income | - | - | - | - | - | 264 | 264 |
| Financial expenses | - | - | - | - | - | (1,036) | (1,036) |
| Profit (loss) before taxes | 1,799 | 3,661 | 2,110 | 1,907 | 624 | 18,937 | 29,038 |
| Income taxes | - | - | - | - | - | (2,612) | (2,612) |
| Net profit/(loss) | 1,799 | 3,661 | 2,110 | 1,907 | 624 | 16,325 | 26,425 |
| Total assets | 132,369 | 241,952 | 5,770 | 11,314 | 20,949 | 90,200 | 502,554 |
| Total liabilities | 39,169 | 106,879 | 11,585 | 12,339 | 14,451 | 43,635 | 228,057 |
| Investments | 534 | 2,409 | 305 | 9 | 234 | - | 3,491 |
| Employees (number) | 485 | 549 | 184 | 58 | 157 | 58 | 1,491 |

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets, depreciation/amortisation and write-downs, and income from business combinations.

The table below shows the main income statement items at 30 June 2019 and the main statement of financial position items at 31 December 2019 examined by the chief operating decision maker in order to assess the Group's performance, and the reconciliation of these items with respect to the corresponding amount included in the Half-Year Report:

| At 31 December 2019 and for the period ended 30 June 2019 | | | | | | | |
|---|----------------|---------------|-----------------|----------------|------------------|--------------------------------|----------------|
| <i>(In thousands of Euro)</i> | Pasta | Milk Products | Bakery Products | Dairy Products | Special Products | Other Group products and items | Total |
| Revenue from contracts with customers | 37,204 | 36,004 | 17,933 | 13,796 | 14,766 | 9,274 | 128,977 |
| EBITDA (*) | 807 | 2,620 | 2,485 | 1,826 | 1,349 | 318 | 9,405 |
| EBITDA margin | 2.2% | 7.3% | 13.9% | 13.2% | 9.1% | 3.4% | 7.3% |
| Amortisation, depreciation and write-downs | 1,161 | 1,511 | 821 | 142 | 1,020 | 397 | 5,052 |
| Net write-downs of financial assets | - | - | - | - | - | 881 | 881 |
| Operating profit/(loss) | (354) | 1,109 | 1,664 | 1,684 | 329 | (960) | 3,472 |
| Financial income | - | - | - | - | - | 260 | 260 |
| Financial expenses | - | - | - | - | - | (868) | (868) |
| Profit (loss) before taxes | (354) | 1,109 | 1,664 | 1,684 | 329 | (1,568) | 2,864 |
| Income taxes | - | - | - | - | - | (1,121) | (1,121) |
| Net profit/(loss) | (354) | 1,109 | 1,664 | 1,684 | 329 | (2,689) | 1,743 |
| Total assets | 117,567 | 39,374 | 12,753 | 9,373 | 18,896 | 63,781 | 261,743 |
| Total liabilities | 76,578 | 28,149 | 14,266 | 16,477 | 10,518 | 24,209 | 170,198 |
| Investments | 316 | 474 | 283 | - | 34 | 171 | 1,278 |
| Employees (number) | 541 | 165 | 132 | 62 | 147 | 52 | 1,099 |

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets and depreciation/amortisation and write-downs.

Acquisition of Centrale del Latte d'Italia S.p.A.

Centrale del Latte d'Italia Group, which produces and markets dairy products, has been consolidated since 1 April 2020. The transaction was booked using the acquisition method.

As at the date of first consolidation, the assets and liabilities were as follows:

| <i>(in thousands of Euro)</i> | At 1 April 2020 |
|--|----------------------------|
| Non-current assets | |
| Property, plant and equipment (A) | 118,939 |
| Right-of-use assets (A) | 2,747 |
| Intangible assets (A) | 19,631 |
| Non-current financial assets measured at fair value through profit or loss (A) | 2,053 |
| Current assets | |
| Inventories (A) | 10,746 |
| Trade receivables (A) | 26,607 |
| Current tax assets (A) | 2,357 |
| Other receivables and current assets (A) | 10,781 |
| Cash and cash equivalents (A) | 26,420 |
| Non-current liabilities | |
| Provisions for employee benefits (B) | 4,930 |
| Provisions for risks and charges (B) | 66 |
| Deferred tax liabilities (B) | 6,089 |
| Non-current financial liabilities (B) | 61,049 |
| Non-current lease liabilities (B) | 1,909 |
| Other non-current liabilities (B) | 541 |
| Current liabilities | |
| Trade payables (B) | 39,621 |
| Current financial liabilities (B) | 39,348 |
| Current lease liabilities (B) | 890 |
| Current tax liabilities (B) | 504 |
| Other current liabilities (B) | 7,240 |
| Total net assets acquired (A-B) | 58,095 |
| <i>Cash out (monetary component of the purchase price)</i> | (6,660) |
| Payment as future capital increase (Newlat shares component) | (11,322) |
| Fair value of minority interests at the Execution Date | (19,817) |
| (Non-recurring) income from business combinations | 20,296 |

The transaction was booked in accordance with IFRS 3 – “Business Combinations” since it can be categorised as an acquisition. On first consolidation at 30 June 2020, the fair value measurement of the assets acquired and liabilities assumed was not yet complete. As per the accounting standard in question, management will complete the relevant measurements within 12 months of the purchase date. The goodwill calculated in this way is

recognised in the consolidated income statement as indicated in IFRS 3, paragraph 34 (MOA 29174) under “income from business combinations”.

The purchase price paid by the Issuer to the parent company Newlat Group S.A., which is the same as the one paid by said parent to third parties (hereinafter the “Price of the Centrale del Latte d’Italia S.p.A. Major Stake”), was calculated as shown in the table below:

| | |
|--|---------------|
| <i>(in thousands of Euro)</i> | |
| Monetary component of the Consideration (in Euro) | 1 |
| Number of shares representing the CLI Major Holding | 6,660,242 |
| Monetary component of the CLI Major Holding Price (A) | 6,660 |
| <i>(in thousands of Euro)</i> | |
| Non-monetary component of the Consideration (no. Newlat shares) | 0.333 |
| Fair value of non-monetary component of the Consideration as at the Execution Date (in Euro) | 5.10 |
| Number of shares representing the CLI Major Holding | 6,660,242 |
| Non-monetary component of the CLI Major Holding Price (B) | 11,322 |
| CLI Major Holding Price (C=A+B) | 17,982 |

The price of the major stake, namely Euro 17,982 thousand, represents the book value of the interest at 1 April 2020 in Newlat Food S.p.A.’s separate financial statements.

The non-monetary component of the Price of the Centrale del Latte d’Italia (CLI) Major Stake, namely Euro 11,322 thousand, was deemed a deferred consideration and had as a counterentry an increase of shareholders’ equity described as a “future capital increase”, reflecting the amount of the Newlat Food S.p.A. Capital Increase freed up by the contribution in kind of the CLI Major Stake by Newlat Group S.A., together with the issue of 2,220,080 ordinary shares of the Company.

The share of minority interests, as per paragraph 19 of IFRS 3 for the application of the fair value approach, was calculated as follows:

| | |
|--|---------------|
| <i>(in thousands of Euro)</i> | |
| CLI Major Stake Price (A) | 17,982 |
| CLI Group non-controlling interests as at the Execution Date (%) (B) | 52.43% |
| Fair value of CLI Group’s net assets as at the Execution Date (C=A/(1-B)) | 37,799 |
| Fair value of minority interests as at the Execution Date (D=C-A) | 19,817 |

Notes to the principle Consolidated Statement of Financial Position items

1. Non-current assets

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|--|-----------------|---------------------|
| Non-current assets | | |
| Property, plant and equipment | 148,367 | 31,799 |
| Right-of-use assets | 19,027 | 17,326 |
| Intangible assets | 44,722 | 25,217 |
| Equity investments in associates | 1,401 | - |
| Non-current financial assets measured at fair value through profit or loss | 733 | 42 |
| Financial assets measured at amortised cost | 806 | 866 |
| Prepaid tax assets | 5,436 | 5,034 |
| Total non-current assets | 220,491 | 80,284 |

Below is a description of the main items that make up the non-current assets at 30 June 2020:

Property, plant and equipment

The table below shows a breakdown of and changes in the item “Property, plant and equipment” at 30 June 2020 and 31 December 2019.

| <i>(in thousands of Euro)</i> | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Leasehold improvements | Assets under construction and payments on account | Total |
|---|--------------------|---------------------|-------------------------------------|----------------|------------------------|---|------------------|
| Historical cost at 31 December 2019 | 14,817 | 125,032 | 5,152 | 4,852 | 1,521 | 1,639 | 153,013 |
| Investments | 97 | 1,544 | 17 | 5 | - | 1,021 | 2,684 |
| Disposals | - | - | (14) | - | - | (21) | (35) |
| Reclassifications | - | 399 | 68 | - | - | (467) | - |
| Change to the consolidation scope | 77,784 | 110,938 | 18,441 | - | 358 | 11,318 | 218,839 |
| Historical cost at 30 June 2020 | 92,698 | 237,913 | 23,664 | 4,857 | 1,879 | 13,489 | 374,500 |
| Provision for depreciation at 31 December 2019 | (6,834) | (104,762) | (4,882) | (4,587) | (149) | - | (121,214) |
| Amortisation | (558) | (4,053) | (375) | (38) | (1) | - | (5,025) |
| Disposals | - | - | 5 | - | - | - | 5 |
| Change to the consolidation scope | (22,880) | (61,300) | (15,411) | - | (309) | - | (99,900) |
| Provision for depreciation at 30 June 2020 | (30,272) | (170,115) | (20,663) | (4,625) | (459) | - | (226,134) |
| Net carrying amount at 31 December 2019 | 7,983 | 20,270 | 270 | 265 | 1,372 | 1,639 | 31,799 |
| Net carrying amount at 30 June 2020 | 62,426 | 67,798 | 3,001 | 232 | 1,420 | 13,489 | 148,367 |

The change displayed under “change to the consolidation scope” reflects the carrying amount of the property, plant and equipment acquired via the first consolidation of Centrale del Latte d’Italia Group on 1 April 2020.

“Investments” shows the purchases made during the half-year.

Specifically, “assets under construction and payments on account” reflects work in progress in the factories of both Newlat Food S.p.A. and Centrale del Latte d’Italia Group, while the items “plant and machinery”, “leasehold improvements” and “industrial and commercial equipment” show the investments made, primarily in the Milk Products sector.

The increases in “Other assets” refer mainly to the purchase of electronic office equipment, cars and industrial vehicles.

Right-of-use assets

The table below shows a breakdown of and changes in the item “Right-of-use assets” at 30 June 2020 and 31 December 2019.

| <i>(in thousands of Euro)</i> | Right-of-use assets |
|---|------------------------|
| Historical cost at 31 December 2019 | 29,390 |
| Increases | 2,003 |
| Decreases | (20) |
| Change to the consolidation scope | 4,064 |
| Historical cost at 30 June 2020 | 35,437 |
| Provision for depreciation at 31 December 2019 | (12,062) |
| Amortisation | (3,044) |
| Disposals | 13 |
| Change in consolidation scope | (1,317) |
| Provision for depreciation at 30 June 2020 | (16,410) |
| Net carrying amount at 31 December 2019 | 17,326 |
| Net carrying amount at 30 June 2020 | 19,027 |

Real estate right-of-use assets relate mainly to the production plants in Sansepolcro (AR), Ozzano Taro (PR), Reggio Emilia, Lodi, Lecce, Eboli (SA) Bologna and Corte de’ Frati (CR), leased to Newlat Food S.p.A. under the agreements entered into with the related party New Property S.p.A. The right-of-use assets at 30 June 2020 also refer to the Delverde production plant, located at Fara San Martino (CH).

Machinery right-of-use assets refer mainly to the lease of capital goods used in the production process.

The change compared with 31 December 2019 is due to CLI Group joining the scope of consolidation on 1 April 2020.

During the half-year, the Newlat Group renewed some rental agreements relating to specific facilities, with an annual term compared with the previous multi-year term; this is consistent with the strategies implemented by the Directors in the operating outlook.

Intangible assets

The table below shows a breakdown of and changes in the item “Intangible assets” at 30 June 2020 and 31 December 2019.

| <i>(in thousands of Euro)</i> | Goodwill | Patents and intellectual property rights | Concessions, licences, trademarks and similar rights | Other assets | Assets under development | Total |
|--|--------------|--|--|----------------|--------------------------|-----------------|
| Historical cost at 31 December 2019 | 3,863 | 4,211 | 70,901 | 3,070 | 108 | 82,153 |
| Investments | - | 459 | 11 | 42 | 6 | 518 |
| Reclassifications | - | 108 | - | - | (108) | - |
| Change to the consolidation scope | 350 | - | 40,942 | 927 | - | 42,219 |
| Historical cost at 30 June 2020 | 4,213 | 4,778 | 111,854 | 4,039 | 6 | 124,890 |
| Provisions for amortisation at 31 December 2019 | - | (3,712) | (50,177) | (3,047) | - | (56,936) |
| Amortisation | - | (84) | (474) | (86) | - | (644) |
| Change to the consolidation scope | - | - | (21,698) | (890) | - | (22,588) |
| Provisions for amortisation at 30 June 2020 | - | (3,796) | (72,349) | (4,023) | - | (80,168) |
| Net carrying amount at 31 December 2019 | 3,863 | 499 | 20,724 | 23 | 108 | 25,217 |
| Net carrying amount at 30 June 2020 | 4,213 | 982 | 39,505 | 16 | 6 | 44,722 |

The change displayed under “change to the consolidation scope” reflects the carrying amount of the intangible assets acquired upon the first consolidation of Centrale del Latte d’Italia Group on 1 April 2020.

Goodwill

Goodwill, which totalled Euro 4,213 thousand at 30 June 2020, breaks down as follows:

- Euro 3,863 thousand relating to Newlat's December 2015 acquisition of Centrale del Latte di Salerno S.p.A, which was merged by incorporation into Newlat Food S.p.A. in December 2019;
- Euro 350 thousand relating to CLI's acquisition of Centro Latte Rapallo in previous years.

As at the reporting date for the half-year financial report, the Group's management has considered possible changes to the assumptions made at the end of 2019 but did not identify grounds for the book value of goodwill being greater than its recoverable value. Owing to the improvement in the Newlat Group's sales revenues and margins in the first half of 2020, and in the absence of negative indicators, no impairment tests have been carried out since the ones performed at 31 December 2019.

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 30 June 2020:

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|---|-----------------|---------------------|
| Trademarks with an indefinite useful life | 37,976 | 18,844 |
| Trademarks with a finite useful life | 1,452 | 1,880 |
| Other | 77 | 0 |
| Total net book value | 39,505 | 20,724 |

Trademarks with an indefinite useful life

This item refers to the following trademarks held by the Group:

- the "Drei Glocken" and "Birkel" brands registered by Newlat GmbH Deutschland in 2014 following the acquisition of the relevant business unit from Ebro Foods, for a total of Euro 18,844 thousand. As at the reporting date for the half-year financial report, the Group's management has considered possible changes to the assumptions made at the end of 2019 but did not identify grounds for the book value differing from the recoverable value.
- the "Centro Latte Rapallo - Latte Tigullio", "Centrale del Latte di Vicenza" and "Mukki" brands owned by CLI Group companies, for a total of Euro 19,132 thousand. At the reporting date, these brands were not subjected to impairment tests either because – based on the improvement in revenues and operating margins during the first half of 2020 - there were no indicators of impairment.

As at the reporting date for the half-year financial report, the Group's management has considered possible changes to the assumptions made at the end of 2019, for the analysis of impairment tests, but did not identify grounds for the book value of trademarks with an indefinite useful life being greater than their recoverable value. Owing to the improvement in the Newlat Group's sales revenues and margins in the first half of 2020, and in the absence of negative indicators, no impairment tests have been carried out since the ones performed at 31 December 2019.

Trademarks with a finite useful life

This item includes brands owned by Newlat Food S.p.A., amortised according to their respective useful lives, estimated on the basis of the period of time over which it is considered that they are guaranteed to generate cash flows.

Equity investments in associates

Equity investments in associates totalled approximately Euro 1.4 million and referred to Mercafir S.c.p.a. (Euro 1,397 thousand) and Filat (Euro 4 thousand).

At 30 June 2020, the investment in Mercafir S.c.p.a. was adjusted by Euro 4 thousand under the equity method.

During the second quarter of 2020, Mercafir S.c.p.a. paid out Euro 75 thousand in dividends, which are recognised in other financial income.

Non-current financial assets measured at fair value through profit or loss

The item "Non-current financial assets measured at fair value through profit or loss" totalled Euro 733 thousand (Euro 42 thousand at 31 December 2019); the increase compared with 31 December 2019 was due essentially to the change in consolidation scope and refers to a minority interest (less than 5%) in "Futura S.r.l." for a total of approximately Euro 657 thousand.

Financial assets measured at amortised cost

At 30 June 2020, this item totalled Euro 806 thousand (Euro 866 thousand at 31 December 2019) and referred mainly to security deposits paid by the Parent Company under the production premises lease agreements.

Deferred tax assets

At 30 June 2020, this item totalled Euro 5,436 thousand (Euro 5,034 thousand in December 2019). Prepaid taxes refer mainly to the appropriation of taxed provisions, as well as to previous losses of the subsidiary CLI. Based on the approved multi-year business plans, which have not been revised as a result of COVID-19 because of the positive half-year results achieved, management believes that these assets can be recovered through future taxable income.

2. Current assets

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|--|-----------------|---------------------|
| Current assets | | |
| Inventories | 44,157 | 25,880 |
| Trade receivables | 73,602 | 49,274 |
| Current tax assets | 3,284 | 716 |
| Other receivables and current assets | 11,492 | 4,701 |
| Current financial assets measured at fair value through profit or loss | 4 | 4 |
| Cash and cash equivalents | 149,524 | 100,884 |
| Total current assets | 282,063 | 181,459 |

Inventories

Closing inventories, net of the change in consolidation scope equal to Euro 11,277 thousand, were up by Euro 7,000 thousand on 31 December 2019 because of an increase in warehouse stock to cover the higher sales levels expected in July and August 2020.

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|--|--------------------|------------------------|
| Raw materials, supplies, consumables and spare parts | 24,381 | 14,735 |
| Finished products and goods | 20,607 | 12,048 |
| Semi-finished products | 81 | - |
| Advance payments | 34 | 41 |
| Total gross inventories | 45,103 | 26,824 |
| Inventory write-down reserve | (946) | (944) |
| Total inventories | 44,157 | 25,880 |

The change in the provision for inventory write-downs is shown below.

| | |
|------------------------------------|------------|
| Balance at 31 December 2019 | 944 |
| Provisions | 86 |
| Uses/Releases | (84) |
| Change to the consolidation scope | - |
| Balance at 30 June 2020 | 946 |

Trade receivables

Trade receivables at 30 June 2020 totalled Euro 73,602 thousand, compared with Euro 49,274 thousand at 31 December 2019.

Customer receivables, net of the change in consolidation scope, stood at Euro 21,123 thousand at 30 June 2020, broadly in line with the figure from 31 December 2019. There are no significant changes in the receipt conditions. Total receivables are shown net of the provision for write-downs estimated prudentially on the basis of information held in order to adjust their value to the presumed realisable value.

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|---|--------------------|------------------------|
| Trade receivables from customers | 91,801 | 64,675 |
| Trade receivables from related parties | 19 | 19 |
| Trade receivables (gross) | 91,820 | 64,694 |
| Provision for doubtful trade receivables | (18,217) | (15,420) |
| Total trade receivables | 73,602 | 49,274 |

At each reporting date, customer receivables are analysed to check for the existence of impairment indicators. To perform this analysis, the Group assesses whether there are expected losses over the entire duration of these receivables and takes into account the expertise it has accrued regarding losses on receivables, grouped into similar categories, based on specific factors pertaining to the Group's receivables as well as on the general economic environment. Customer receivables are written down when there is no reasonable expectation that they will be recovered; the write-down takes place in the income statement under "net write-downs of financial assets".

The provision for bad debts changed as follows during 2019 and the first half of 2020:

| | |
|------------------------------------|---------------|
| Balance at 31 December 2018 | 14,699 |
| Provisions | 500 |
| Uses | (8) |
| Releases | - |
| Change to the consolidation scope | 229 |
| Balance at 31 December 2019 | 15,420 |
| Provisions | 471 |
| Uses | (28) |
| Releases | - |
| Change to the consolidation scope | 2,354 |
| Balance at 30 June 2020 | 18,217 |

Current tax assets

Current tax assets totalled Euro 3,284 thousand (Euro 716 thousand at 31 December 2019). The change compared with 31 December 2019 was due mainly to the change in consolidation scope following the acquisition of CLI Group.

Current tax liabilities totalled Euro 1,931 thousand (Euro 471 thousand at 31 December 2019). The change compared with 31 December 2019 was due mainly to the new scope of consolidation.

Other receivables and current assets

This item totalled Euro 11,492 thousand (Euro 4,701 thousand at 31 December 2019) and consisted of tax receivables, advances to suppliers, prepaid expenses and other short-term receivables. The increase was due essentially to the change in consolidation scope and in particular to CLI Group's higher VAT receivables.

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|---|-----------------|---------------------|
| Tax assets | 6,627 | 2,144 |
| Receivables from social security institutions | 482 | 699 |
| Accrued income and prepayments | 1,548 | 530 |
| Advance payments | 1,692 | 401 |
| Other receivables | 1,143 | 927 |
| Total other receivables and current assets | 11,492 | 4,701 |

Cash and cash equivalents

The following table shows a breakdown of “Cash and cash equivalents” at 30 June 2020 and 31 December 2019:

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|--|-----------------|---------------------|
| Pooled cash deposits | 38,629 | 45,338 |
| Bank and postal deposits | 110,330 | 55,508 |
| Cash and cash equivalents | 465 | 38 |
| Total cash and cash equivalents | 149,424 | 61,786 |

“Cash and cash equivalents” consist mainly of sight current accounts with banks. For details of the net financial position, please see the half-year report on operations.

At 30 June 2020, cash and cash equivalents were not subject to restrictions or constraints. Some Euro 35,814 thousand of the available cash relates to cash pooled with the parent company Newlat Group S.A.

Please see the statement of cash flows for changes in the “Cash and cash equivalents” item during the periods under review.

Liabilities

3. Shareholders' equity

Share capital

As at 30 June 2020, the Company's fully subscribed and paid-up share capital totalled Euro 40,780,482, divided into 40,780,482 ordinary shares that were dematerialised as a result of the IPO operation completed on 29 October 2019.

As reported in the statement of changes in consolidated equity, the changes during the half-year ended 30 June 2020 related to:

- a share capital increase via the future issue of shares to the shareholder Newlat Group S.A. totalling Euro 11,322 thousand as part of the acquisition of Centrale del Latte d'Italia Group;
- the Group net profit for the period, in the amount of Euro 25,575 thousand;
- actuarial losses attributable to the Group, in the amount of Euro 244 thousand, relating to the discounting of the Group employee severance indemnity provision;
- the costs relating to the share capital increase as part of the acquisition of Centrale del Latte d'Italia Group, booked as a direct reduction in shareholders' equity of Euro 202 thousand, and the related tax benefit of Euro 56 thousand;

- recognition of net equity attributable to third parties (i.e. the minority shareholders of CLI) in the amount of Euro 20,511 thousand.

4. Non-current liabilities

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|--------------------------------------|-----------------|---------------------|
| Non-current liabilities | | |
| Provisions for employee benefits | 15,297 | 10,646 |
| Allowances for risks and charges | 1,476 | 1,396 |
| Deferred tax liabilities | 9,882 | 3,850 |
| Non-current financial liabilities | 85,281 | 12,000 |
| Non-current lease liabilities | 13,398 | 13,032 |
| Other non-current liabilities | 600 | 600 |
| Total non-current liabilities | 125,933 | 41,524 |

Provisions for employee benefits

At 30 June 2020, this item totalled Euro 15,297 thousand, up from Euro 10,646 thousand at 31 December 2019 primarily because of the change in consolidation scope following the acquisition of CLI Group.

| <i>(in thousands of Euro)</i> | Employee severance indemnity (Italian companies) | Newlat GmbH Deutschland Pension Plan | Employee benefits |
|--|--|--|----------------------|
| Balance at 31 December 2018 | 10,570 | | 10,570 |
| <i>Current service cost</i> | 58 | - | 58 |
| <i>Financial expenses</i> | 159 | - | 159 |
| <i>Actuarial losses/(gains)</i> | 324 | - | 324 |
| <i>Benefits paid</i> | (1,152) | - | (1,152) |
| <i>Change to the consolidation scope</i> | 125 | 563 | 688 |
| Balance at 31 December 2019 | 10,084 | 563 | 10,646 |
| <i>Current service cost</i> | - | - | - |
| <i>Financial expenses</i> | 10 | - | 10 |
| <i>Actuarial losses/(gains)</i> | 299 | 95 | 394 |
| <i>Benefits paid</i> | (587) | (95) | (682) |
| <i>Change to the consolidation scope</i> | 4,930 | - | 4,930 |
| Balance at 30 June 2020 | 14,736 | 563 | 15,297 |

Allowances for risks and charges

The table below shows a breakdown of and changes in the item:

| <i>(in thousands of Euro)</i> | Provision for agents' indemnities | Provision for legal risks | Other provisions for risks and charges | Total provisions for risks and charges |
|------------------------------------|-----------------------------------|---------------------------|--|--|
| Balance at 31 December 2018 | 939 | 69 | - | 1,008 |
| Provisions | 128 | - | - | 128 |
| Uses | - | - | - | - |
| Releases | (34) | - | - | (34) |
| Change to the consolidation scope | 139 | 155 | - | 294 |
| Balance at 31 December 2019 | 1,172 | 224 | - | 1,396 |
| Provisions | 14 | - | - | 14 |
| Uses | - | - | - | - |
| Releases | - | - | - | - |
| Change to the consolidation scope | - | - | 66 | 66 |
| Balance at 30 June 2020 | 1,186 | 224 | 66 | 1,476 |

The provision for agents' indemnities represents a reasonable forecast of the charges that would be borne by the Group in the event of future interruption of agency relationships.

Deferred tax liabilities

These refer in the amount of Euro 3,823 thousand to the "Birkel e Drei Glocken" brands registered by Newlat GmbH and in the amount of Euro 6,059 thousand to the previously mentioned brands owned by Centrale del Latte d'Italia Group, pertaining to the fair value measurement of the brands, not recognised for tax purposes, as at the date of acquisition of the subsidiaries that owned said brands.

Non-current and current financial liabilities

The table below contains a break down of “Current and non-current liabilities”:

| <i>(in thousands of Euro)</i> | At 30 June 2020 | | At 31 December 2019 | |
|--|-----------------|---------------------|---------------------|---------------------|
| | Current portion | Non-current portion | Current portion | Non-current portion |
| Loans from Newlat Group S.A. | 5,000 | - | - | - |
| Payables to Newlat Group S.A. for cash pooling | 981 | - | - | - |
| Total financial debt to Newlat Group S.A. | 5,981 | - | - | - |
| UniCredit loan agreement (Newlat Food S.p.A.) | 851 | - | 1,690 | - |
| UniCredit loan agreement (Newlat Deutschland) | - | - | 89 | - |
| Deutsche Bank loan agreement | 3,000 | 10,500 | 3,000 | 12,000 |
| BPM loan agreement | 3,092 | 11,139 | - | - |
| BPER loan agreement | 1,961 | 8,039 | - | - |
| Trade credit facilities | 3,162 | - | 10,575 | - |
| Other lines of credit | 7,000 | - | 7,000 | - |
| Current account overdrafts | 29 | - | 102 | - |
| BANCA CARIGE | 423 | 128 | - | - |
| UNICREDIT BANCA D'IMPRESA | 2,763 | 4,280 | - | - |
| ICREA BANCA D'ALBA | 400 | 1,100 | - | - |
| MEDIOCREDITO | 430 | 1,359 | - | - |
| CREDEM | 843 | 126 | - | - |
| UBI BANCA | 739 | 0 | - | - |
| DEUTSCHE BANK | 2,962 | 0 | - | - |
| INTESA SANPAOLO | 1,588 | 0 | - | - |
| BANCA POPOLARE DI SONDRIO (SWITZERLAND) | 1,316 | 609 | - | - |
| UNICREDIT CDP | 447 | 3,996 | - | - |
| UNICREDIT FILIERA | 463 | 4,512 | - | - |
| BANCO BPM | 2,585 | 3,910 | - | - |
| INVITALIA LOAN ACCOUNT | 102 | 3,632 | - | - |
| CARIPARMA | 502 | 570 | - | - |
| CREDITO COOP CENTROVENETO | 1,342 | 507 | - | - |
| BANCA CAMBIANO 1884 | 990 | 2,277 | - | - |
| BNL GRUPPO BNP PARIBAS | 284 | 0 | - | - |
| MPS CAPITAL SERVICES BANCA PER LE IMPRESE | 1,402 | 14,509 | - | - |
| CHIANTI BANCA | 393 | 1,219 | - | - |
| BPER BANCA | 169 | 0 | - | - |
| BANCA PASSADORE | 656 | 1,344 | - | - |
| BANCO DESIO | 407 | 1,594 | - | - |
| CLI Debenture Loan 2017 - 2024 | 3,414 | 9,923 | - | - |
| Other CLI lines of credit | 10,908 | - | - | - |
| Payables to other lenders | 1,948 | 10 | - | - |
| Total financial debt to banks and other lenders | 56,571 | 85,281 | 22,456 | 12,000 |
| Total financial liabilities | 62,552 | 85,281 | 22,456 | 12,000 |

The Euro 15 million-debenture loan issued by Centrale del Latte d'Italia S.p.A. expires on 1 December 2024; it was booked using the amortised cost method and the residual value at 30 June 2020 was Euro 13,337 thousand.

2017- 2024 debenture loan covenants included in the Centrale del Latte d'Italia S.p.A. consolidated financial statements

- Consolidated net financial debt to consolidated net equity ratio of 1.5 or less
- Consolidated net financial expense to consolidated value of production of 3.0% or less
- Consolidated EBITDA of 7 million or more starting in 2019

Covenants on debt positions relating to the Centrale del Latte d'Italia S.p.A. consolidated financial statements

- Unicredit S.p.A. loan on behalf of Cassa Depositi e Prestiti and Unicredit S.p.A. loan pertaining to the supply chain agreement with Centrale del Latte d'Italia S.p.A. and Centrale del Latte di Vicenza S.p.A., both expiring on 31 December 2030 and with a total outstanding debt of Euro 4.5 million at 30 June 2020: net financial debt to net equity ratio of 1.5 or less on 31 December of every year;
- Unsecured loan awarded by Deutsche Bank S.p.A. to Centrale del Latte d'Italia S.p.A., expiring on 7 November 2022 and with outstanding debt of Euro 2.5 million at 30 June 2020: on 31 December of every year, gross operating margin to consolidated financial expenses ratio of more than 5; net financial position to consolidated gross operating margin of 6 or less; net financial position to consolidated net equity ratio of 1 or less;
- Loan awarded by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte di Vicenza S.p.A., grace period expiring on 30 June 2025 and with outstanding debt of Euro 2.9 million at 30 June 2020: borrower's net financial debt to net equity ratio of 1.5 or less on 31 December of every year;
- Unsecured loan awarded by BNL Gruppo BNP Paribas to Centrale del Latte della Toscana S.p.A., expiring on 30 November 2020 and with an outstanding debt of Euro 0.3 million at 30 June 2020: on 31 December of every year, net financial debt to net equity ratio of less than 6; net financial expenses to revenues ratio of less than 2%;
- Unsecured loan awarded by Intesa Sanpaolo to Centrale del Latte della Toscana S.p.A., expiring on 31 March 2021 and with an outstanding debt of Euro 0.7 million at 30 June 2020: on 31 December of every year, gross operating margin to financial expenses ratio of 1 or more; no losses for two consecutive years;
- Unsecured loan awarded by Deutsche Bank S.p.A. to Centrale del Latte della Toscana S.p.A., expiring on 30 June 2021 and with an outstanding debt of Euro 0.5 million at 30 June 2020: on 31 December of every year, gross operating margin to financial expenses ratio of 4.5 or less; net financial position to gross operating margin ratio of less than 6.5 (this covenant was not met at 31 December 2019). Net financial position to net equity ratio of less than 2;

- Loan awarded by Mediocredito to Centrale del Latte d'Italia S.p.A., expiring on 28 June 2024 and with outstanding debt of Euro 1.8 million at 30 June 2020: net financial debt to net equity ratio of 1.5 or less on 31 December of every year.

Covenant compliance checks are performed on the annual data at 31 December of the Newlat Group or CLI Group, which is consolidated into the Newlat Group. The Group believes it is fairly certain that these covenants will be met for the current year, based on directors' estimates in view of the positive economic and financial performance in the first half of 2020 and on the operating outlook for the second half of the year.

Below is a breakdown of the medium-to-long-term bank loans:

| Lender | Conditions | Amount loaned | Amount disbursed | Outstanding debt | Expiry | Guarantees given to subsidiaries |
|---|-------------------------------------|---------------|------------------|------------------|------------|----------------------------------|
| Deutsche Bank loan agreement | Rate: 3-month Euribor + 1.1% | 15,000 | 15,000 | 13,500 | 28/11/2024 | --- |
| BPM loan agreement | Rate: 3-month Euribor + 1.5% spread | 15,000 | 15,000 | 14,231 | 31/12/2024 | --- |
| BPER loan agreement | Rate: 3-month Euribor + 1% spread | 10,000 | 10,000 | 10,000 | 30/06/2025 | --- |
| UniCredit loan agreement (Newlat Food S.p.A.) | Rate: 3-month Euribor + 2.7% | 8,000 | 8,000 | 891 | 31/12/2020 | --- |
| ChiantiBanca Credito Cooperativo s.c. | Rate: 6-month Euribor + 1.35% | 4,000 | 4,000 | 1,612 | 21/06/2020 | --- |
| Credito Emiliano S.p.A. | Rate: 3-month Euribor + 2.5% spread | 1,000 | 1,000 | 201 | 18/07/2020 | --- |
| Credito Emiliano S.p.A. | Rate: 1.10% | 700 | 700 | 141 | 18/07/2020 | --- |
| BPER Banca S.p.A. | Rate: 3-month Euribor + 1% | 2,000 | 2,000 | 169 | 28/07/2020 | --- |
| Intesa Sanpaolo S.p.A. | Rate: 3-month Euribor + 1.10% | 5,000 | 5,000 | 500 | 01/10/2020 | --- |
| UBI Banca S.p.A. | Rate: 3-month Euribor + 0.85% | 1,000 | 1,000 | 168 | 16/10/2020 | --- |
| BNL Gruppo BNP Paribas | Rate: 6-month Euribor + 2.2% | 6,000 | 6,000 | 284 | 30/11/2020 | --- |
| Unicredit S.p.A. | Rate: 3.05% | 10 | 10 | 1 | 31/12/2020 | --- |
| Unicredit S.p.A. | Rate: 3.05% | 41 | 41 | 4 | 31/12/2020 | --- |
| Banca CARIGE S.p.A. | Rate: 6-month Euribor + 1.35% | 1,000 | 1,000 | 169 | 31/12/2020 | --- |
| UBI Banca S.p.A. | Rate: 3-month Euribor + 2.50% | 1,500 | 1,500 | 570 | 09/01/2021 | --- |
| Banca Popolare di Sondrio S.c.p.a. | Rate: 6-month Euribor + 0.60% | 1,500 | 1,500 | 503 | 31/01/2021 | --- |
| Banca Popolare di Sondrio S.c.p.a. | Rate: 0.90% | 1,500 | 1,500 | 566 | 01/02/2021 | --- |
| Banca del Centroveneto Cred. Coop s.c. | Rate: 6-month Euribor + 1.40% | 1,000 | 1,000 | 794 | 22/01/2022 | --- |
| Intesa Sanpaolo S.p.A. | Rate: 3-month Euribor + 1.30% | 2,000 | 2,000 | 382 | 31/03/2021 | --- |
| Credito Emiliano S.p.A. | Rate: 6-month Euribor + 1.5% spread | 1,000 | 1,000 | 627 | 09/06/2021 | --- |
| Deutsche Bank S.p.A. | Rate: 3-month Euribor + 1.10% | 2,000 | 2,000 | 500 | 30/06/2021 | --- |

| | | | | | | |
|---|-------------------------------------|--------|--------|--------|-------------|---|
| Intesa Sanpaolo S.p.A. | Rate: 3-month Euribor + 1% | 3,000 | 3,000 | 706 | 30/06/2021 | --- |
| Banco BPM S.p.A. | Rate: 3-month Euribor + 1.2% | 1,500 | 1,500 | 340 | 30/06/2021 | --- |
| Banca del Centroveneto Cred. Coop s.c. | Rate: 3-month Euribor + 1.7% | 2,500 | 2,500 | 1,055 | 30/07/2021 | --- |
| Unicredit S.p.A. | Rate: 6-month Euribor + 1.5% | 3,000 | 3,000 | 1,517 | 31/10/2021 | --- |
| Banca CARIGE S.p.A. | Rate: 6-month Euribor + 1.3% | 1,000 | 1,000 | 381 | 31/12/2021 | --- |
| Banco BPM S.p.A. | Rate: 1-month Euribor + 0.7% | 1,500 | 1,500 | 253 | 31/01/2021 | --- |
| Unicredit S.p.A. | Rate: 3-month Euribor + 2% | 1,500 | 1,500 | 907 | 31/12/2021 | --- |
| Credit Agricole Cariparma | Rate: 3-month Euribor + 0.85% | 1,500 | 1,500 | 756 | 29/05/2022 | --- |
| Unicredit Banca d'Impresa S.p.A. | Rate: 1% | 1,500 | 1,500 | 757 | 31/05/2022 | --- |
| Credit Agricole Cariparma | Rate: 3-month Euribor + 1% | 500 | 500 | 315 | 12/10/2022 | --- |
| Deutsche Bank S.p.A. | Rate: 3-month Euribor + 0.85% | 3,200 | 3,200 | 2,462 | 07/11/2022 | --- |
| Banco BPM S.p.A. | Rate: 3-month Euribor + 1% | 3,000 | 3,000 | 2,154 | 31/12/2022 | --- |
| Banca Passadore S.p.A. | Rate: 3-month Euribor + 1.5% | 2,000 | 2,000 | 2,000 | 01/01/2023 | --- |
| Banco BPM S.p.A. | Rate: 3-month Euribor + 2.1% | 3,500 | 3,500 | 2,647 | 30/06/2023 | --- |
| Banca di Credito Cooperativo di Cambiano S.c.p.a. | Rate: 3-month Euribor + 1.35% | 4,000 | 4,000 | 3,266 | 01/07/2023 | --- |
| Banca Popolare di Sondrio S.c.p.a. | Rate: 1-month Euribor + 1.10% | 1,000 | 1,000 | 857 | 10/11/2023 | --- |
| ICREA Banca D'Alba | Rate: 3-month Euribor + 1.5% | 2,000 | 2,000 | 1,500 | 31/03/2024 | --- |
| Banco Desio | Rate: 1.50% | 2,000 | 2,000 | 2,000 | 18/08/2024 | |
| Unicredit S.p.A. | Rate: 6-month Euribor + 1.80% | 10,000 | 10,000 | 2,857 | 30/06/2025 | Euro 20 million mortgage on owned property in Vicenza |
| Unicredit S.p.A. | Rate: 6-month Euribor + 2.75% | 3,000 | 3,000 | 1,000 | 30 Jun 2025 | Euro 20 million mortgage on owned property in Vicenza |
| MPS Capital Services Banca per le Imprese S.p.A. | Rate: 6-month Euribor + 1.75% | 28,300 | 28,300 | 15,911 | 03/07/2028 | Euro 60 million mortgage on owned property in Florence and Euro 28.3 million special lien on facilities |
| Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti | Rate: 0.50% - discounted rate 2.95% | 2,360 | 2,360 | 2,360 | 31 Dec 2030 | Mortgage on owned property in Turin |
| Unicredit S.p.A. | Rate: 2.95% | 2,591 | 2,591 | 2,591 | 31 Dec 2030 | Mortgage on owned property in Turin |
| Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti | Rate: 0.50% - discounted rate 2.95% | 2,400 | 363 | 2,086 | 31/12/2030 | Mortgage on owned property in Vicenza |

| | | | | | | |
|------------------|------------------------------|-------|-------|-------|-------------|--|
| Unicredit S.p.A. | Rate: 2.95% | 2,400 | 363 | 2,384 | 31/12/2030 | Mortgage on owned property in Vicenza |
| Invitalia S.p.A. | Rate: 0.124% | 7,453 | 3,735 | 3,735 | 30 Jun 2031 | Mortgage on owned properties in Turin, Casteggio and Rapallo |
| Unicredit S.p.A. | Rate: 3.8% | 3,000 | 3,000 | 1,000 | 30 Jun 2025 | |
| Mediocredito | Rate: 2.60% | 2,000 | 2,000 | 1,789 | 28/06/2024 | --- |
| Banco BPM | Rate: 3-month Euribor + 1.2% | 1,500 | 1,500 | 1,101 | 30/06/2024 | --- |

Current and non-current lease liabilities

Current and non-current lease liabilities amounted respectively to Euro 6,024 thousand (Euro 4,776 thousand at 31 December 2019) and Euro 13,398 thousand (Euro 13,032 thousand at 31 December 2019); these items include financial debt relating mainly to the multi-year lease agreements for properties at which the Parent Company's factories are located and to the lease of industrial machinery and facilities.

Liabilities were recognised in compliance with the new IFRS 16 that came into effect on 1 January 2019 and determined as the present value of future lease payments discounted at a marginal rate of interest which, based on the length of each individual agreement, was identified in a range between 1% and 3%.

There are no payables due beyond five years.

The change compared with 31 December 2019 was due mainly to the new scope of consolidation.

Other non-current liabilities

Other non-current liabilities, totalling Euro 600 thousand (unchanged from 31 December 2019), refer to the non-current portion of Newlat GmbH Deutschland's debt for the acquisition from Ebro Foods S.A. of the business unit which included the brands Drei Glocken and Birkel.

5. Current liabilities

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|----------------------------------|-----------------|---------------------|
| Current liabilities | | |
| Trade payables | 132,751 | 85,592 |
| Current financial liabilities | 62,552 | 22,456 |
| Current lease liabilities | 6,024 | 4,776 |
| Current tax liabilities | 1,931 | 471 |
| Other current liabilities | 24,799 | 15,379 |
| Total current liabilities | 228,057 | 128,674 |

Trade payables

Trade payables refer mainly to purchases of raw materials and goods destined for production and sale by the Group, as shown below:

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|-----------------------------------|--------------------|------------------------|
| Trade payables to suppliers | 132,523 | 85,443 |
| Trade payables to related parties | 228 | 149 |
| Total trade payables | 132,751 | 85,592 |

There are no particular changes in payment times to suppliers. The increase was due mainly to the change in consolidation scope following the acquisition of CLI Group.

Current financial liabilities

Current financial liabilities refer to maturities within 12 months relating to medium-to-long-term loans and the use of credit lines for down payments.

Other current liabilities

Other current liabilities, totalling Euro 24,799 thousand (Euro 15,379 thousand at 31 December 2019) consisted mainly of tax payables and payables to employees and social security and welfare bodies.

| <i>(in thousands of Euro)</i> | At 30 June 2020 | At 31 December 2019 |
|---|--------------------|------------------------|
| Payables to employees | 12,535 | 6,862 |
| Payables to social security institutions | 3,978 | 2,603 |
| Payables for acquisitions of business units | 1,473 | 1,973 |
| Tax liabilities | 1,635 | 1,935 |
| Accrued expenses and deferred income | 3,013 | 1,068 |
| Miscellaneous payables | 2,165 | 938 |
| Total other current liabilities | 24,799 | 15,379 |

The change compared with 31 December 2019 was due essentially to the new consolidation scope following the acquisition of CLI Group.

Income statement

Regarding the change in consolidation scope compared with 30 June 2019 following the acquisitions of Newlat GmbH Deutschland and Centrale del Latte d'Italia S.p.A., please see the report on operations and the combined data for a more consistent and accurate analysis of the income statement items.

Earnings per share

Basic earnings per share are calculated on the basis of the consolidated profit for the period attributable to the shareholders of the Parent Company divided by the weighted average number of ordinary shares calculated as follows:

| <i>(in thousands of Euro)</i> | At 30 June | |
|--|-------------|-------------|
| | 2020 | 2019 |
| Profit for the year attributable to the Group | 25,578 | 1,743 |
| Weighted average number of shares in circulation | 40,780,482 | 27,000,000 |
| Earnings per share (in Euro) | 0.63 | 0.06 |

Related-party transactions

The Group's transactions with related parties, identified based on criteria defined by IAS 24 – Related Party Disclosures, are mainly of a commercial or financial nature and are carried out under normal market conditions.

Despite this, there is no guarantee that, if these transactions had been conducted between or with third parties, said third parties would have negotiated and entered into the relevant contracts, or executed the transactions themselves, under the same conditions and in the same manner.

The Group deals with the following related parties:

- Newlat Group S.A., a direct parent company; and
- companies controlled by the direct parent company other than its own subsidiaries and associates ("**Companies controlled by the parent companies**").

The table below provides a detailed breakdown of the statement of financial position items relating to the Group's transactions with related parties at 30 June 2020 and 31 December 2019:

| <i>(in thousands of Euro)</i> | <i>Parent company</i> | <i>Companies controlled by the parent companies</i> | | <i>Total</i> | <i>Total statement of financial position items</i> | <i>% of statement of financial position item</i> |
|---|--------------------------|---|---|--------------|--|--|
| | <i>Newlat Group S.A.</i> | <i>New Property S.p.A.</i> | <i>Other companies controlled by the parent companies</i> | | | |
| Right-of-use assets | | | | | | |
| At 30 June 2020 | - | 8,088 | - | 8,088 | 19,027 | 42.5% |
| At 31 December 2019 | - | 9,467 | - | 9,467 | 17,326 | 54.6% |
| Non-current financial assets at amortised cost | | | | | | |
| At 30 June 2020 | - | 735 | - | 735 | 806 | 91.2% |
| At 31 December 2019 | - | 735 | - | 735 | 866 | 84.9% |
| Trade receivables | | | | | | |
| At 30 June 2020 | - | - | 19 | 19 | 73,602 | 0.0% |
| At 31 December 2019 | - | - | 19 | 19 | 49,274 | 0.0% |
| Cash and cash equivalents | | | | | | |
| At 30 June 2020 | 38,629 | - | - | 38,629 | 149,524 | 25.8% |
| At 31 December 2019 | 45,338 | - | - | 45,338 | 100,884 | 44.9% |
| Non-current financial liabilities | | | | | | |
| Non-current lease liabilities | | | | | | |
| At 30 June 2020 | - | 5,559 | - | 5,559 | 13,398 | 41.5% |
| At 31 December 2019 | - | 6,989 | - | 6,989 | 13,032 | 53.6% |
| Trade payables | | | | | | |
| At 30 June 2020 | 101 | 50 | 77 | 228 | 132,751 | 0.0% |
| At 31 December 2019 | 48 | 57 | 44 | 149 | 85,592 | 0.2% |
| Current financial liabilities | | | | | | |
| At 30 June 2020 | 5,981 | - | - | 5,981 | 62,552 | 9.6% |
| At 31 December 2019 | - | - | - | - | - | - |
| Current lease liabilities | | | | | | |
| At 30 June 2020 | - | 2,778 | - | 2,778 | 6,024 | 46.1% |
| At 31 December 2019 | - | 2,341 | - | 2,341 | 4,776 | 40.8% |

The following table provides a breakdown of the income statement items relating to the Group's transactions with related parties at 30 June 2020 and 2019:

| <i>(in thousands of Euro)</i> | Parent company | Companies controlled by the parent companies | | Total | Total statement of financial position items | % of statement of financial position item |
|-------------------------------|-------------------|--|--|-------|---|---|
| | Newlat Group S.A. | New Property S.p.A. | Other companies controlled by the parent companies | | | |
| Cost of sales | | | | | | |
| At 30 June 2020 | - | 1,664 | 29 | 1,693 | 165,267 | 1.0% |
| At 30 June 2019 | - | 1,650 | 29 | 1,679 | 108,646 | 1.5% |
| Administrative costs | | | | | | |
| At 30 June 2020 | 60 | - | - | 60 | 11,478 | 0.0% |
| At 30 June 2019 | 209 | - | - | 209 | 5,279 | 4.0% |
| Financial income | | | | | | |
| At 30 June 2020 | 162 | - | - | 162 | 264 | 61.4% |
| At 30 June 2019 | 371 | - | - | 199 | 260 | 76.5% |
| Financial expenses | | | | | | |
| At 30 June 2020 | 2 | 109 | - | 111 | 1,036 | 10.7% |
| At 30 June 2019 | 190 | 132 | - | 332 | 868 | 38.2% |

Disputes, contingent liabilities and contingent assets

With regard to the first of ENASARCO Foundation's two lawsuits against the subsidiary CLI, an appeal by the Foundation is pending before the Court of Cassation to get an annulment of the Rome Court of Appeal judgment no. 8634/2014 of 18 November 2014, which ordered the repayment of Euro 811 thousand for welfare contributions acknowledged as owing to the Foundation by the Court of Rome in judgment no. 1260/2013 of 28 February 2013.

With regard to the second lawsuit and the injunction 9800/2012 awarded to the ENASARCO Foundation in the amount of Euro 658 thousand, it was defined at first instance with judgment no. 5185/2015 of 20 July 2015 by the Court of Rome that revoked the injunction. The ENASARCO Foundation appealed and on 23 June 2020, the Rome Court of Appeal (Employment Section) rejected the appeal, confirming that Centrale del Latte d'Italia S.p.A. had acted properly.

A third lawsuit was initiated on 11 January 2017 following the rejection by the Regional Employment Relations Committee, at the Rome Interregional Employment Division, of the appeal against the ENASARCO Foundation's assessment report of 11 November 2014; the Foundation has issued another payment demand on top of the assessment report totalling Euro 423,830. On 30 May 2017, notice was served of an enforcement order and a writ of execution issued by the ENASARCO Foundation for the payment of

Euro 432,765 relating to the assessment report of 11 November 2014 and pertaining to the years 2011-2013. Centrale del Latte d'Italia S.p.A. asked the Court of Rome, within the time limits allowed, to suspend the temporary enforcement of the injunction. On 6 July 2017, the Court of Rome suspended the temporary enforcement of the injunction and set a date of 20 December 2017 to hear the merits of the case. At the end of said hearing, the presiding judge arranged a new hearing for 17 May 2018. At the new hearing, the presiding judge, having heard the submissions from the parties, arranged the deferral of two submissions that did not take place at the hearing and further adjourned the hearing until 22 November 2018 for continuation and for assessment of the admission of further depositions or the awarding of a ruling deferral with a deadline for brief. On 19 July, in view of the deferred submission order, the hearing took place at the Court of Turin (Employment Section), featuring examination of the two submissions. On 21 March 2019, the Court of Rome (First Employment Section) revoked the injunction sought by the ENASARCO Foundation in relation to the dispute over contributions between 2011 and 2013 and found in favour of Centrale del Latte d'Italia S.p.A.

The Parent Company and some of its subsidiaries are also parties to some disputes concerning relatively small amounts. The future resolution of such disputes is unlikely to generate significant liabilities for the Group for which specific risk provisions are not already allocated.

CERTIFICATION OF THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF LEGISLATIVE DECREE NO. 58/98

1. Taking into consideration article 154-*bis* (3) and (4) of Legislative Decree no. 58 of 24 February 1998, the undersigned, Angelo Mastrolia, as Chairman of the Board of Directors, and Rocco Sergi, as Financial Reporting Officer, of Newlat Food S.p.A., certify:
 - the financial statements are adequate, in relation to the characteristics of the company and
 - the effective application
 - of the administrative and accounting procedures for preparing the condensed half-year financial statements during the first half of 2020.
2. Assessment of the adequacy of the administrative and accounting procedures for drawing up the condensed half-year financial statements at 30 June 2020 is based on a process defined by Newlat Food S.p.A. in compliance with the *Internal Control – Integrated Framework* model issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is a generally internationally accepted framework of reference.
3. We can also certify that:
 - a. the condensed half-year financial statements:
 - were drafted in conformity with the applicable international accounting standards endorsed by the European Community under the terms of Regulation (EC) N° 1606/2002 of the European Parliament and Council, of 19 July 2002;
 - correspond to the accounting records;
 - provide a true and correct representation of the asset, economic and financial situation of the issuer and of the companies included in the consolidation.
 - b. The interim report on performance includes a reliable analysis of the references to important events that occurred in the first six months of the year and to their impact on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on the significant transactions with related parties.

Reggio Emilia, 7 September 2020

Angelo Mastrolia
Chairman of the Board of Directors

Rocco Sergi
Financial Reporting Officer